

Wisdom Education International Holdings Company Limited

睿見教育國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 6068

GLOBAL OFFERING

Sole Sponsor



BNP PARIBAS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)



BNP PARIBAS



BOC INTERNATIONAL



CITIC CLSA
Securities



招銀国际
CMB INTERNATIONAL

Joint Bookrunners (in alphabetical order)



農銀國際
ABC INTERNATIONAL



建銀国际
CCB International



海通國際
HAITONG



平安證券有限公司
Ping An Securities Limited

以誠心服務社會

以愛心培育人才

IMPORTANT

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

Wisdom Education International Holdings Company Limited

睿見教育國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 500,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 50,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 450,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$2.28 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 6068

Sole Sponsor



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HAITONG**

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Ping An Securities Limited**

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 19 January 2017 and, in any event, not later than Tuesday, 24 January 2017. The Offer Price will not be more than HK\$2.28 and is currently expected to be not less than HK\$1.70. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.28 for each Share together with a brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$2.28 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters) with the consent of our Company, may reduce the indicative offer price range below that stated in this prospectus (which is HK\$1.70 to HK\$2.28 per Offer Share) 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 the reduction in the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.wisdomeducationintl.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price by Tuesday, 24 January 2017, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on Thursday, 26 January 2017. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S). The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

16 January 2017

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications
under **White Form eIPO** service through the
designated website at **www.eipo.com.hk**⁽²⁾11:30 a.m. on Thursday,
19 January 2017

Application lists open⁽³⁾11:45 a.m. on Thursday,
19 January 2017

Latest time to lodge **white** and **yellow** Application Forms12:00 noon on Thursday,
19 January 2017

Latest time to complete payment for **White Form eIPO**
applications by effecting internet banking transfers or
PPS payment transfer(s)12:00 noon on Thursday,
19 January 2017

Latest time to give **electronic application instructions**
to HKSCC⁽⁴⁾12:00 noon on Thursday,
19 January 2017

Application lists close12:00 noon on Thursday,
19 January 2017

Expected Price Determination Date⁽⁵⁾Thursday, 19 January 2017

Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares
to be published in the South China Morning Post
(in English) and the Hong Kong Economic Times
(in Chinese) on or beforeWednesday, 25 January 2017

A full announcement of the Hong Kong Public
Offering containing the information above will be
published on the website of the Stock Exchange
at **www.hkexnews.hk** and our Company's
website at **www.wisdomeducationintl.com** fromWednesday, 25 January 2017

Results of allocations in the Hong Kong
Public Offering will be available at
www.iporesults.com.hk with a "search by ID"
functionWednesday, 25 January 2017

Despatch of share certificates in respect of wholly
or partially successful applications pursuant to
the Hong Kong Public Offering on or before⁽⁶⁾⁽⁷⁾⁽⁸⁾Wednesday, 25 January 2017

EXPECTED TIMETABLE⁽¹⁾

Despatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before.Wednesday, 25 January 2017

Dealings in the Shares on the Stock Exchange expected to commence at9:00 a.m. on Thursday, 26 January 2017

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” of this prospectus.
- (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 an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 19 January 2017, the application lists will not open and close on that day. Please refer to “How to Apply for Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists” of this prospectus for further details. If the application lists do not open and close on Thursday, 19 January 2017 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 “Expected Timetable”, we will make an announcement in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares – Applying By Giving Electronic Application Instructions to HKSCC via CCASS” of this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 19 January 2017, and, in any event, not later than Tuesday, 24 January 2017. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by Tuesday, 24 January 2017, the Hong Kong Public Offering and the International Offering will not proceed. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK\$2.28 per Share payable by applicants for Hong Kong Offer Shares under the Hong Kong Public Offering, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.28 for each Share, together with the brokerage fee of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% but will be refunded the surplus application monies as provided in “How to Apply for Hong Kong Offer Shares” of this prospectus.
- (6) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Thursday, 26 January 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong Identity Card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong Identity Card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong Identity Card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (8) Applicants who have applied on **white** Application Forms or White Form eIPO for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information in their applications may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Wednesday, 25 January 2017. Applicants being individuals who opt for personal collection may not authorise any other person to make

EXPECTED TIMETABLE⁽¹⁾

collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on **yellow** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **yellow** Application Form applicants are the same as those for **white** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – Despatch/Collection of Share Certificates and Refund Monies – If you Apply Via Electronic Application Instructions to HKSCC" of this prospectus for details. Uncollected share certificates and refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares – Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – Despatch/Collection of Share Certificates and Refund Monies" of this prospectus.

The above expected timetable is a summary only. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 19 January 2017, the application lists will not open and close on that day. Please refer to the "How to Apply for Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists" of this prospectus. You should refer to "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" of this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

	<i>Page</i>
Summary	1
Definitions	18
Glossary of Technical Terms	31
Forward-looking Statements	33
Risk Factors	34
Waivers from Compliance with the Listing Rules	71
Information about this Prospectus and the Global Offering	72
Directors and Parties Involved in the Global Offering	76
Corporate Information	81
Industry Overview	83
Regulations	97
History and Development	119
Business	131
Financial Information	185
Contractual Arrangements	232
Relationship with Our Controlling Shareholders	261
Connected Transactions	265
Share Capital	277
Substantial Shareholders	281
Directors and Senior Management	282
Future Plans and Use of Proceeds	294
Underwriting	296
Structure of the Global Offering	307
How to Apply for Hong Kong Offer Shares	313
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Property Valuation Report	III-1

CONTENTS

Appendix IV	-	Summary of the Constitution of our Company and Cayman Companies Law	IV-1
Appendix V	-	Statutory and General Information	V-1
Appendix VI	-	Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	VI-1

SUMMARY

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

OVERVIEW

We were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as of 1 September 2015, according to the Frost & Sullivan Report. Premium private schools offer higher quality education, more advanced educational facilities and a more satisfying environment to students through higher tuition fees than non-premium or mass market private schools, according to the Frost & Sullivan Report. As of 1 September 2016, we operated six premium private schools with a total student enrolment of 31,788 students.

We believe that we have a reputation for providing quality private education and that our brand name is well-known in and beyond the regions where our schools are located. During the Track Record Period, we focused on providing high quality PRC curriculum programmes for primary and secondary school students. For each of the 2013/2014, 2014/2015 and 2015/2016 school years, at least 94.8% of our high school graduates were admitted to universities in China, and for the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 18.4%, 21.4% and 23.2% of our high school graduates were admitted to First Class Universities in China, respectively. In addition to PRC curriculum programmes, we provide international programmes for our high school students. Graduates from our international programmes were generally admitted to reputable universities and colleges overseas. We offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture, in order to facilitate the well-rounded development of our students.

We experienced stable growth during the Track Record Period in terms of student enrolment, teachers employed and revenue. For the years ended 31 August 2014, 2015 and 2016, our total revenue amounted to RMB450.9 million, RMB568.7 million and RMB700.7 million, respectively, representing a CAGR of approximately 15.8% from 2014 to 2016. The table below sets forth certain information with respect to our growth.

		As of 1 September		
	2013	2014	2015	2016
Student enrolment	19,354	22,837	27,644	31,788
Number of teachers	1,162	1,359	1,666	1,960

SUMMARY

OUR SCHOOLS

As of the Latest Practicable Date, we operated six premium private schools on five campuses. Four of our schools are located in Guangdong province in the Pearl River Delta economic zone, one is located in Liaoning province in the Northeast Three Provinces economic zone and one is located in Shandong province in the Bohai Economic Rim. The following table sets forth certain operational details of our schools as of the dates indicated:

School	Student enrolment as of 1 September				School utilisation rate (%) ⁽¹⁾ as of 1 September				Teacher-student ratio ⁽²⁾ as of 1 September			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
Dongguan Guangming School	10,580	10,416	10,417	10,510	99.5	99.5	98.9	97.8	1:17	1:17.2	1:17.2	1:17.5
Dongguan Guangming Primary School	4,367	5,130	5,959	5,973	89.9	93.3	98.3	98.6	1:18.3	1:19.1	1:18.6	1:19.2
Dongguan Guangzheng Preparatory School	4,151	5,820	7,768	9,094	62.0	81.5	85.9	93.7	1:14.8	1:15.9	1:16.7	1:16.5
Huizhou Guangzheng Preparatory School	256	1,189	2,500	3,903	27.1	61.7	72.2	97.0	1:12.2	1:14.2	1:13.2	1:13.1
Panjin Guangzheng Preparatory School	-	282	1,000	1,590	-	41.0	68.7	85.2	-	1:7.8	1:11.8	1:11.7
Weifang Guangzheng Preparatory School	-	-	-	718	-	-	-	95.5	-	-	-	1:11.6
Total	19,354	22,837	27,644	31,788	83.7	89.0	90.5	95.9	1:16.7	1:16.8	1:16.6	1:16.2

Notes:

- (1) As all of our schools are boarding schools, capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal records and calculations. School utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school. Although we have calculated our schools' respective capacity based on the number of beds available, we believe the facilities at our Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School may accommodate additional beds without material capital expenditure (subject to the receipt of necessary approvals).
- (2) Teacher-student ratio is calculated by dividing the number of students enrolled at a school by the number of teachers employed by the school.

SUMMARY

As of the Latest Practicable Date, the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School was in progress, and Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School were under construction. For illustrative purpose, the following table sets forth the student enrolment, the existing or target capacity and the utilisation rates of these schools as of 1 September 2016 based on the schools' internal records and calculations, the relevant school campus construction plans or the cooperation agreement with the relevant local government, as the case may be:

School	Student enrolment	Existing or target capacity for students	Utilisation rate ⁽⁴⁾
Dongguan Guangming School	10,510	10,744 ⁽¹⁾	97.8%
Dongguan Guangming Primary School	5,973	6,060 ⁽¹⁾	98.6%
Dongguan Guangzheng Preparatory School	9,094	15,226 ⁽²⁾	59.7%
Huizhou Guangzheng Preparatory School	3,903	9,464 ⁽²⁾	41.2%
Panjin Guangzheng Preparatory School	1,590	5,100 ⁽³⁾	31.2%
Weifang Guangzheng Preparatory School	718	7,200 ⁽³⁾	10.0%
	31,788	53,794	59.1%
Guang'an Guangzheng Preparatory School	–	7,860 ⁽³⁾	–
Yunfu Guangzheng Preparatory School	–	7,000 ⁽³⁾	–
	<u>31,788</u>	<u>68,654</u>	<u>46.3%</u>

Notes:

- (1) The capacity for Dongguan Guangming School and Dongguan Guangming Primary School is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal records and calculations.
- (2) The capacity for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School is calculated based on the estimated number of students that the student dormitories of the respective schools were designed to accommodate according to the relevant school campus construction plans, assuming that the expansion had been completed accordingly as of 1 September 2016.
- (3) The capacity for Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School is based on the target maximum capacity for primary and middle school and international programme students as set forth in the cooperation agreements with the relevant local government authorities.
- (4) The utilisation rate of each of our schools is calculated by dividing the number of students enrolled at a school by the existing or target capacity for students of the school.
- (5) In addition to the cooperation agreements with the relevant local governmental authorities for the proposed establishment of Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School, we have also entered into a framework agreement with the local government for the potential establishment of a new school in Zhaoqing. The above table does not include information of this proposed new school as the details thereof will be subject to the parties' further discussion if we proceed with the establishment of this school.

The tuition and boarding fees we charge are typically based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. Please refer to the section headed "Business – Our schools" in this prospectus for the tuition and boarding fees rates charged by our schools.

SUMMARY

Development of New Schools

As one of our development strategies, we intend to continue to strengthen our leading position in the Pearl River Delta economic zone with a focus on Guangdong province and intend to expand into the West Delta economic zone. We have entered into cooperation agreements with the local governments of Guang'an, Sichuan province and Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing. We also intend to engage in discussions with the local government authorities of various cities in Guangdong, Shandong and Sichuan provinces to explore the possibility of establishing a new school in each city. In addition, we entered into a memorandum of understanding with Dewey College in Canada with respect to the potential cooperation on the development of a new school overseas. The table below sets forth the estimated capital expenditure to be incurred and the intended allocation of net proceeds from the Global Offering for the establishment of our new schools in Guang'an and Yunfu, PRC and in Canada:

School	Estimated total capital expenditure ('000)	Intended source of funds	Intended allocation of net proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range stated in this prospectus) ('000)
Guang'an Guangzheng Preparatory School	RMB439,800 (equivalent to HK\$496,666)	Self-owned capital and/or proceeds from the Global Offering	RMB235,800 (equivalent to HK\$266,289)
Yunfu Guangzheng Preparatory School	RMB522,000 (equivalent to HK\$589,495)	Self-owned capital and/or proceeds from the Global Offering	RMB290,000 (equivalent to HK\$327,497)
Dewey College (secondary school)	CAD2,000 (equivalent to HK\$11,736)	Proceeds from the Global Offering	CAD2,000 (equivalent to HK\$11,736)
Total	<u>HK\$1,097,897</u>		<u>HK\$605,522</u>

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended 31 August 2014, 2015 and 2016. Our suppliers primarily comprise food, educational services and educational material suppliers. For the years ended 31 August 2014, 2015 and 2016, purchases from our five largest suppliers amounted to RMB22.3 million, RMB29.9 million and RMB30.5 million, respectively, representing approximately 9.3%, 10.3% and 8.2% of the cost of revenue, respectively. Please refer to "Business – Customers and Suppliers" of this prospectus for further details.

OUR COMPETITIVE STRENGTHS

We believe that the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors: (i) largest private educational group in South China operating premium primary and secondary curriculum programmes; (ii) strong reputation for student performance and high quality PRC curriculum programmes; (iii) high business visibility through offering a full range of primary and secondary curriculum programmes; (iv) successful track record in replicating our profitable business model; and (v) committed and stable management team.

SUMMARY

OUR STRATEGIES

We intend to maintain and strengthen our position as a leading provider of premium private primary and secondary education in China. To achieve this goal, we intend to pursue the following business strategies: (i) continue to enhance our reputation as a leading provider of premium private primary and secondary school education; (ii) increase the utilization rate of our existing schools; (iii) continue to focus on the Pearl River Delta economic zone and strategically expand in or into other economic zones to enlarge our school network; (iv) enhance profitability by optimizing pricing strategies and increasing revenue sources; and (v) continually adapt to changing educational preferences in target markets.

SELECTED HISTORICAL FINANCIAL INFORMATION

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth selected financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this prospectus. The selected financial data set forth below should be read together with our consolidated financial statements and the related notes, as well as "Financial Information" of this prospectus.

	For the year ended 31 August		
	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	450,913	568,715	700,741
Cost of revenue	<u>(239,717)</u>	<u>(289,194)</u>	<u>(370,352)</u>
Gross profit	211,196	279,521	330,389
Profit before taxation	112,269	212,342	194,535
Taxation	<u>(21,360)</u>	<u>(30,045)</u>	<u>(40,172)</u>
Profit and total comprehensive income for the year	<u>90,909</u>	<u>182,297</u>	<u>154,363</u>
Adjusted net profit⁽¹⁾	<u>118,580</u>	<u>172,687</u>	<u>185,775</u>

Note:

- (1) For illustration purpose, the following table reconciles our adjusted net profit for the periods presented to net profit, the most directly comparable financial measure calculated and presented in accordance with IFRS, without taking into account the potential impact of PRC taxes, which may or may not be applicable:

	For the year ended 31 August		
	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit and total comprehensive income for the year	90,909	182,297	154,363
Less:			
Imputed interest income on advances to Chinese Group	34,923	101,074	63,950
Imputed interest income on advances to related parties	7,298	11,328	–
Add:			
Finance costs in relation to advances to Chinese Group and related parties	69,892	102,792	68,608
Loss on disposal of subsidiaries	–	–	2,353
Listing expenses	<u>–</u>	<u>–</u>	<u>24,401</u>
Adjusted net profit	<u>118,580</u>	<u>172,687</u>	<u>185,775</u>

SUMMARY

Our net profit increased by 100.5% from RMB90.9 million for the year ended 31 August 2014 to RMB182.3 million for the year ended 31 August 2015, primarily attributable to (i) increased student enrolment in our schools, which was mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us; (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year; and (iii) increased imputed interest income on advances to Cinese Group and other related parties, which was mainly due to increased level of outstanding advances to Cinese Group and other related parties.

Imputed Interest Income and Related Interest Expenses

During the Track Record Period, we made advances to Cinese Group and other related parties. These advances were non-trade in nature and non-interest bearing. The amount of the advances to Cinese Group and other related parties was measured at its fair value at initial recognition based on the best estimate of the expected repayments by Cinese Group and other related parties at the time of recognising the amount due from Cinese Group and other related parties. The differences between the amount due from Cinese Group and other related parties and the fair value at initial recognition were recognised in equity as deemed distribution to equity holders, and the amount due from Cinese Group and other related parties was then carried at amortised cost using the effective interest method. Subsequently, if we revise our estimate of the expected repayments by Cinese Group and other related parties, the carrying amount of such amount due from Cinese Group and other related parties will be adjusted to reflect the actual and revised estimated cash flow. The adjustments were also recognised in equity as deemed distribution to equity holders. The effective interest rates for imputed interest income were determined based on the interest rates for comparable bank borrowings for Cinese Group. For each reporting period during the Track Record Period, we recognised imputed interest income on certain portion of such advances under IFRS. During the Track Record Period, imputed interest income on advances to Cinese Group and other related parties had contributed to the changes to our net profit, which increased from RMB90.9 million, for the year ended 31 August 2014 to RMB182.3 million for the year ended 31 August 2015 and decreased to RMB154.4 million for the year ended 31 August 2016. However, such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period. During the Track Record Period, we primarily funded these advances to Cinese Group and other related parties through interest-bearing bank borrowings and a substantial portion of our bank borrowings during the Track Record Period related to such advances. As a result, a substantial portion of our interest expenses on bank and other borrowings during the Track Record Period related to advances on which we recognised imputed interest income. As at the Latest Practicable Date, all the amounts due to and from related parties (including our advances to Cinese Group and other related parties) which were non-trade in nature had been fully settled. As a result, we do not expect to continue to recognise imputed interest income on advances to related parties following the Listing. Because we will no longer be funding such advances through bank borrowings, we also expect a corresponding reduction in interest expenses on bank borrowings following the Listing.

The aggregate carrying amounts of our advances to Cinese Group and other related parties on which we recognised imputed interest income were RMB1,165.4 million, RMB1,163.0 million and RMB212.2 million as of 31 August 2014, 2015 and 2016, respectively. Our imputed interest income was RMB42.2 million, RMB112.4 million and RMB64.0 million for the years ended 31 August 2014, 2015 and 2016, respectively.

Our bank and other borrowings were RMB1,270.0 million, RMB1,275.5 million and RMB607.7 million as of 31 August 2014, 2015 and 2016, respectively. Our interest expenses on bank and other borrowings were RMB79.0 million, RMB109.9 million and RMB80.0 million for the years ended 31 August 2014, 2015 and 2016, respectively.

In addition, we had amounts due to related parties that are non-trade in nature, unsecured, non-interest bearing and repayable on demand, which amounted to RMB333.3 million, RMB426.9 million and RMB327.2 million, respectively, as of 31 August 2014, 2015 and 2016. We did not recognise imputed interest expense on the amounts due to related parties during the Track Record Period because of the repayable on demand clause applicable to such amounts.

SUMMARY

For further details about the imputed interest income on advances to Cinese Group and other related parties, please refer to “Financial Information – Finance Income” and “Financial Information – Imputed Interest Income and Related Interest Expenses” of this prospectus. Save as disclosed above, our Directors confirm that there are no other material non-trade factors that would affect our financial statements during the Track Record Period.

Selected Financial Information from Our Consolidated Statements of Financial Position

The following table sets forth selected financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I to this prospectus. The selected financial data set forth below should be read together with our consolidated financial statements and the related notes, as well as “Financial Information” of this prospectus.

	As of 31 August		
	2014 (RMB’000)	2015 (RMB’000)	2016 (RMB’000)
Non-current assets	2,326,869	1,433,344	1,763,204
Current assets	359,404	1,531,639	695,171
Non-current liabilities	1,133,274	743,533	474,825
Current liabilities	1,042,584	1,546,199	1,152,775
Net current liabilities	(683,180)	(14,560)	(457,604)

We recorded net current liabilities as of 31 August 2014, 2015 and 2016, primarily as a result of (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Cinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of our schools; (ii) other payables and accrued expenses, which primarily consist of accruals for construction in connection with the maintenance and improvement of our school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of our short-term bank borrowings. Please refer to “Financial Information – Current Assets and Current Liabilities” of this prospectus for further details.

Key Financial Ratios

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

	As of/for the year ended 31 August		
	2014	2015	2016
Gross profit margin ⁽¹⁾	46.8%	49.1%	47.1%
Net profit margin ⁽²⁾	20.2%	32.1%	22.0%
Adjusted net profit margin ⁽³⁾	26.3%	30.4%	26.5%
Return on assets ⁽⁴⁾	3.4%	6.1%	6.3%
Return on equity ⁽⁵⁾	17.8%	27.0%	18.6%
Current ratio ⁽⁶⁾	0.34	0.99	0.60
Debt to equity ratio ⁽⁷⁾	2.46	1.87	0.61
Gearing ratio ⁽⁸⁾	2.49	1.89	0.73
Interest coverage ratio ⁽⁹⁾	1.89	1.89	2.87

SUMMARY

Notes:

- (1) Gross profit margin equals our gross profit divided by revenue for the year. Our gross profit margin increased from 46.8% for the year ended 31 August 2014 to 49.1% for the year ended 31 August 2015, primarily driven by (i) increased student enrolment in our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us; and (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year. Our gross profit margin decreased to 47.1% for the year ended 31 August 2016, primarily due to increased staff costs mainly as a result of increased number of teachers and increased teachers' salaries. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year. Please refer to "Financial Information" of this prospectus for further details.
- (2) Net profit margin equals our net profit after tax divided by revenue for the year. Our net profit margin increased from 20.2% for the year ended 31 August 2014 to 32.1% for the year ended 31 August 2015, primarily attributable to (i) increased student enrolment in our schools, which was mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us; (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year; and (iii) increased imputed interest income on advances to Cinese Group and other related parties, which was mainly due to increased level of outstanding advances to Cinese Group and other related parties. Our net profit margin decreased to 22.0% for the year ended 31 August 2016, primarily due to the listing expenses incurred of RMB24.4 million, increased administrative expenses, as well as increased selling expenses in relation to the marketing and promotion of our schools. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year. Please refer to "Financial Information" of this prospectus for further details.
- (3) Adjusted net profit margin equals our adjusted net profit after tax divided by revenue for the year. Our adjusted net profit margin increased from 26.3% for the year ended 31 August 2014 to 30.4% for the year ended 31 August 2015, primarily attributable to (i) increased student enrolment in our schools, which was mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us; and (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year. Our adjusted net profit margin decreased to 26.5% for the year ended 31 August 2016, primarily due to the listing expenses incurred of RMB24.4 million, increased administrative expenses, as well as increased selling expenses in relation to the marketing and promotion of our schools. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year. Please refer to "Financial Information" of this prospectus for further details. Please refer to "– Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income" above for further details about the reconciliation of our adjusted net profit.
- (4) Return on assets equals net profit for the year divided by total assets as of the end of the year.
- (5) Return on equity equals net profit for the year divided by total equity amounts as of the end of the year.
- (6) Current ratio equals our current assets divided by current liabilities as of the end of the year.
- (7) Debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.
- (8) Gearing ratio equals total debt divided by total equity as of the end of the year. Total debt includes all interest-bearing bank loans and other borrowings.
- (9) Interest coverage ratio equals profit before interest and tax (less finance income) of the year divided by finance costs of the same year.

SUMMARY

The table below sets forth the revenue and gross profit generated from each of our schools for the periods indicated, by amount and as a percentage of our total revenue:

	2014		Year ended 31 August 2015		2016	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue						
Dongguan Guangming School	279,507	62.0	299,526	52.7	312,384	44.5
Dongguan Guangming Primary School	77,771	17.2	96,736	17.0	115,616	16.5
Dongguan Guangzheng Preparatory School	90,401	20.1	139,866	24.6	194,691	27.8
Huizhou Guangzheng Preparatory School	3,234	0.7	27,297	4.8	59,742	8.6
Panjin Guangzheng Preparatory School	–	–	5,290	0.9	18,308	2.6
Total revenue	450,913	100	568,715	100	700,741	100
Gross profit and gross profit margin						
Dongguan Guangming School	137,278	49.1	154,265	51.5	160,186	51.3
Dongguan Guangming Primary School	40,302	51.8	54,493	56.3	63,515	54.9
Dongguan Guangzheng Preparatory School	35,987	39.8	63,625	45.5	85,705	44.0
Huizhou Guangzheng Preparatory School	35	1.1	27,297	46.9	26,451	44.3
Panjin Guangzheng Preparatory School	–	–	(4,385)	N/A	(1,398)	N/A
Total gross profit and gross profit margin of our schools	213,602	47.4	280,798	49.4	334,459	47.7
Total gross profit and gross profit margin of our Group⁽¹⁾	211,196	46.8	279,512	49.1	330,389	47.1

Note:

- (1) Total gross profit of our Group equals total gross profit from our schools less the cost of revenue incurred by Huizhou Guangzheng for the respective year.

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option): (i) the Hong Kong Public Offering of 50,000,000 Offer Shares; and (ii) the International Offering of 450,000,000 Offer Shares.

The Offer Shares will represent 25.0% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme.

SUMMARY

OFFERING STATISTICS

	Based on an Offer Price of HK\$1.70	Based on an Offer Price of HK\$2.28
Market capitalisation of our Shares ⁽¹⁾	HK\$3,400 million	HK\$4,560 million
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$0.88 (RMB0.76)	HK\$1.02 (RMB0.88)

Notes:

- (1) The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). This calculation is based on the indicative Offer Prices of HK\$1.70 and HK\$2.28.
- (2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information” included in Appendix II to this prospectus and on the basis of a total of 2,000,000,000 Shares expected to be in issue following the completion of the Capitalisation Issue and the Global Offering. This calculation is based on the indicative Offer Prices of HK\$1.70 and HK\$2.28.

LISTING EXPENSES

We expect to incur a total of approximately RMB49.3 million of listing expenses (assuming an Offer Price of HK\$1.99, being the mid-point of the indicative Offer Price range between HK\$1.70 and HK\$2.28, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB24.4 million were charged to profit and loss and approximately RMB6.6 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB6.2 million to our profit or loss and to capitalise approximately RMB12.1 million. Listing expenses represent professional fees and other fees incurred in connection with the Listing, excluding underwriting commissions and trading levy. The listing expenses above were the best estimate as at the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$936.9 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised at all and an Offer Price of HK\$1.99 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

Use of proceeds	% of the net proceeds	HK\$ million
1. Expansion of our school network, in particular, through the development of new schools as set out in “Business – Development of New Schools” of this prospectus	65%	609.0
2. Further expansion of three existing schools, namely Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, and Panjin Guangzheng Preparatory School	8%	75.0

SUMMARY

Use of proceeds	% of the net proceeds	HK\$ million
3. Maintenance, renovation and upgrade of two existing schools, namely Dongguan Guangming School and Dongguan Guangming Primary School	2%	18.7
4. Acquisition of schools	18%	168.7
5. Provision of scholarships and subsidies	2%	18.7
6. Working capital	5%	46.8

To the extent that our actual net proceeds from the Global Offering is higher than our estimate above, we intend to apply the additional amount to item 1 above. To the extent that our actual net proceeds from the Global Offering is lower than our estimate above, we intend to reduce the amount of net proceeds to be applied to item 4 above.

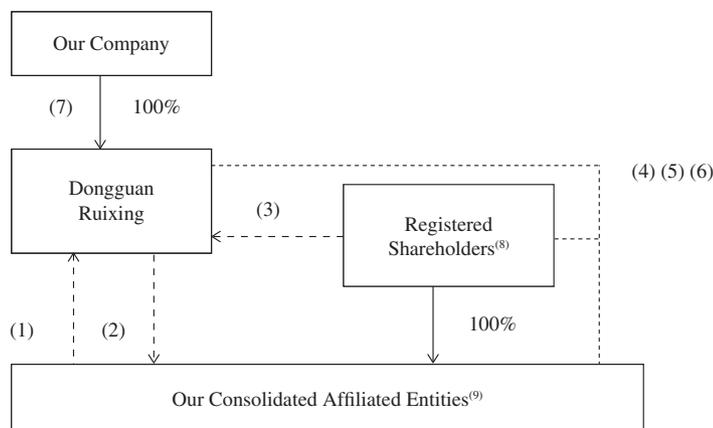
CONTRACTUAL ARRANGEMENTS

Overview of the Contractual Arrangements

PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation. We do not hold any equity interest in our Consolidated Affiliated Entities and we conduct our private education business in the PRC through the Contractual Arrangements, through which we obtain control over and derive the economic benefits from our Consolidated Affiliated Entities. Please refer to “Contractual Arrangements” in this prospectus for further details.

On 19 January 2015, MOFCOM published the Draft Foreign Investment Law and its accompanying explanatory notes proposing major changes to the PRC foreign investment regulatory regime, which was expected to have a significant impact on businesses operated in the PRC by foreign invested enterprises primarily through contractual arrangements, including our business conducted through the Contractual Arrangements. Our Company has adopted measures to ensure our compliance with the Draft Foreign Investment Law and undertakes to provide periodic updates in its annual and interim reports to inform investors of the status of its compliance with the Draft Foreign Investment Law and its accompanying explanatory notes.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



SUMMARY

Notes:

- (1) Payment of service fees. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Exclusive Management Consultancy and Business Cooperation Agreement” of this prospectus for further details.
- (2) Provision of services. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Exclusive Management Consultancy and Business Cooperation Agreement” of this prospectus for further details.
- (3) Powers of attorney to exercise all shareholders’ rights in our Consolidated Affiliated Entities. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Powers of attorney” of this prospectus for further details.
- (4) Exclusive call option to acquire all or part of the equity interest in our Consolidated Affiliated Entities. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Exclusive Call Option Agreement” of this prospectus for further details.
- (5) Pledge of all the equity interest in Guangdong Guangzheng. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Equity Pledge Agreement” of this prospectus for further details.
- (6) Provision of loans. Please refer to “Contractual Arrangements – Summary of material terms of the Contractual Arrangements – Loan Agreement” of this prospectus for further details.
- (7) Dongguan Ruixing is an indirect wholly-owned subsidiary of our Company.
- (8) Registered Shareholders refer to the registered shareholders of Guangdong Guangzheng, i.e. Ms. Li and Mr. SP Liu. Guangdong Guangzheng is legally held as to 98.8% by Ms. Li and 1.2% by Mr. SP Liu. Out of the 98.8% equity interest in Guangdong Guangzheng held by Ms. Li, 60.8% equity interest is held on trust by Ms. Li for Mr. Liu. The 1.2% equity interest in Guangdong Guangzheng is held on trust by Mr. SP Liu for Mr. Liu.
- (9) Our Consolidated Affiliated Entities comprised Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang’an Guangzheng, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng and Yunfu Guangzheng as at the Latest Practicable Date.
- (10) “___” denotes direct legal and beneficial ownership in the equity interest.
- (11) “-----” denotes Contractual Arrangements.

Risks Relating to the Contractual Arrangements

The PRC government may find that the Contractual Arrangements 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 strongly urge you to read the section headed “Risk Factors” in this prospectus in its entirety, including “Risk Factors – Risks Relating to Our Contractual Arrangements” for further details of the risks relating to the Contractual Arrangements.

SHAREHOLDER INFORMATION

Immediately after the completion of the Capitalisation Issue and the Global Offering, and assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, Mr. Liu and Ms. Li, who are co-founders of our Group and are parties acting in concert, will be interested in and control indirectly, through Bright Education Holdings and Bright Education Investment respectively, in aggregate 75.0% of our issued share capital and will remain as our controlling shareholder under the Listing Rules.

SUMMARY

RECENT DEVELOPMENTS

Subsequent to 31 August 2016, being the latest date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this prospectus and up to the date of this prospectus, our business has undergone developments including in the following aspects:

- Our Weifang Guangzheng Preparatory School commenced operations in September 2016 and recruited 718 students as of 1 September 2016. The school offers primary and middle school education for the 2016/2017 school year.
- As at the Latest Practicable Date, the tuition fees and boarding fee rates for the 2016/2017 school year (there are two school terms per school year) of our schools are as follows:

	Tuition and Boarding Fees⁽¹⁾ 2016/2017 school year (RMB)
Dongguan Guangming School	
High school	25,600-38,600
Middle school	23,600-27,600
International programmes	92,600
Dongguan Guangming Primary School	18,180-24,400
Dongguan Guangzheng Preparatory School	
High school	22,800-33,800
Middle school	19,800-23,000
Primary school	16,600-21,200
International programmes	50,600-88,600
Huizhou Guangzheng Preparatory School	
High school	23,000-25,600
Middle school	18,000-20,600
Primary school	18,200-20,800
Panjin Guangzheng Preparatory School	
Middle school	18,000
Primary school	13,000-14,200
Weifang Guangzheng Preparatory School	
Middle school	13,000
Primary school	11,000

Note:

- (1) We increased tuition and boarding fees prior to and during the Track Record Period and up to the Latest Practicable Date for certain of our schools. Our increased tuition and boarding fees are only applicable to newly admitted students for the respective school year, while our existing students continue to pay the tuition and boarding fees prior to the increase. As a result, tuition and boarding fees for certain of our schools are presented as a range, comprising the tuition and boarding fees paid by students who are admitted to our schools at different school years.

SUMMARY

- On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People's Congress (the “**Decision**”), which will become effective on 1 September 2017. The Decision has made certain amendments to the Law for Promoting Private Education of the PRC. Please see “Decision on Amending the Law for Promoting Private Education of the PRC” below for a summary of the Decision.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects subsequent to 31 August 2016, being the latest date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this prospectus.

DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

According to the Decision, which has made certain amendments to the Law for Promoting Private Education of the PRC and will become effective on 1 September 2017, school sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as not-for-profit entities.

Comparison between for-profit schools and non-for-profit schools pursuant to the Decision

Set out below is a summary of certain comparison between for-profit schools and non-for-profit schools pursuant to the Decision:

	For-profit schools	Not-for-profit schools
Applicability	All private schools (except for schools providing compulsory education) may choose to become for-profit schools	All private schools may choose to become not-for-profit schools
Profits	School sponsors can obtain operating profits	School sponsors cannot obtain operating profits
Fee	Determined based on costs and market demand, and subject to the school's discretion	Determined based on costs and market demand, and regulated by relevant local governmental authorities
Taxation, supply of land and other supportive measures	Preferential tax and supply of land treatments according to applicable laws	Preferential tax and supply of land treatments according to applicable laws (in addition, not-for-profit schools enjoy the same preferential tax and supply of land treatments as public schools, which are currently eligible to enjoy EIT exemption) Enjoy more supportive measures, such as government subsidies, fund awards and incentive donations, than for-profit schools

SUMMARY

	For-profit schools	Not-for-profit schools
Liquidation	School sponsors can obtain the school's remaining assets after the settlement of the schools' indebtedness	The schools' remaining assets shall be used for the operation of other not-for-profit schools. For schools established before the promulgation of the Decision, prior to the remaining assets being used as such, school sponsors may apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness

For further details of the amendments pursuant to the Decision, please refer to "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" and "Business – The Decision on Amending the Law for Promoting Private Education in the PRC" of this prospectus.

Reasons for not changing our schools into for-profit schools

All of our existing schools which provide compulsory education, namely our primary and middle schools, as well as our high schools are currently not-for-profit schools under the classification of the Decision. We have not yet had any definitive plan to change the status of any of our high schools to for-profit schools as at the Latest Practicable Date, based on the reasons that (i) the Decision does not specify that our schools have to notify any authority of their status as not-for-profit entities or for-profit entities within a time limit upon the Decision becomes effective; (ii) the Decision is silent on the specific measures with respect to how existing schools can choose to become for-profit schools, which, according to the Decision, shall be regulated by the corresponding laws and regulations promulgated by local government authorities; and (iii) the implementation regulations have not been promulgated. We also have no plans to change the status of any of our primary and middle schools to for-profit schools as, according to the Decision, our primary and middle schools can only be established as not-for-profit schools.

Potential impact on our high schools if changed into for-profit schools

In the event that the status of any of our high schools is changed into a for-profit school, according to the Decision, the school sponsor of such school will be able to obtain operating profit. According to the Decision, as a for-profit school, there will be more flexibility in determining the types and amounts of fees charged by such school as this will be determined by the school at its discretion. Moreover, upon liquidation of a for-profit school, the school sponsor(s) of which can obtain the school's remaining assets after the settlement of such school's indebtedness (unlike the requirements and restrictions under the Decision which apply to the liquidation of a not-for-profit school). However, if any of our high schools is changed into a for-profit school, a potential impact on us will be that the supporting measures that a for-profit school may enjoy will be less than a not-for-profit school. For instance, a for-profit school will not be expected to enjoy the same preferential tax treatment as public schools or not-for-profit schools. It is also unclear whether, when and how existing schools that choose to become for-profit schools will be required to pay additional taxes or undergo re-registration or financial settlement during the transition process.

SUMMARY

With respect to our new schools in operation or proposed new schools, namely Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Yunfu Guangzheng Preparatory School and Zhaoqing Guangming Preparatory School, we have not made any definitive decision whether to commence offering high school education in such schools as at the Latest Practicable Date. In the event that we decide in doing so, we will adopt the same approach in deciding whether any such new high schools will be operated as for-profit schools or not. As advised by our PRC Legal Adviser, the above mentioned arrangement relating to our high schools does not violate the applicable PRC laws, since the Decision does not require existing private high schools to decide whether to become for-profit or not-for-profit schools within a time limit.

Contractual Arrangements

Our PRC Legal Adviser has advised us that, the Decision has no material impact on the Contractual Arrangements and that the Contractual Arrangements will remain legal and effective (including the payment of fees pursuant thereunder) after the Decision becomes effective, if 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 “**Sino foreign Schools Regulation**”), the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015年修訂)) (the “**Guidance Catalog**”) and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Guidance Catalog still prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation; and (ii) the Decision does not prohibit the Contractual Arrangements in relation to schools operating in the PRC, and does not prohibit the payment of service fees by private schools operating in the PRC to their service providers, including the payment of fees pursuant to the Contractual Arrangements.

Potential risks and impact of the Decision on us

We have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of the Decision which affect or may affect our industry as a whole or any of our schools, especially given that the implementation regulations in connection with the Decision have not been promulgated as at the Latest Practicable Date. Please refer to the risk factors associated with the Decision including, among other things, “Risks related to the Decision on Amending the Law for Promoting Private Education in the PRC – There are substantial uncertainties regarding the interpretation and application of the Decision” as set in the “Risk Factors” section of this prospectus.

Since the implementation regulations have not been promulgated as at the Latest Practicable Date, we will closely monitor any such promulgation or amendment and the development thereof. In particular, we will obtain advice from our PRC legal advisers from time to time prior to making any decisions in response to the amendments in connection with the Decision (including any proposed change of status of any of our high schools to for-profit schools) and will provide the relevant updates to our Shareholders and investors by way of disclosure in announcement and/or annual/interim reports, as and when appropriate.

SUMMARY

DIVIDENDS

As of the Latest Practicable Date, we had not declared or paid any dividends on our ordinary shares. 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.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to various risks related to our business and our industry. Major risks we face include, among others, (i) our business depends on our ability to maintain or raise the tuition and boarding fee levels we charge at our schools; (ii) we generate all of our revenue from a limited number of cities in China and from a limited number of schools; (iii) our business depends on the market recognition of our brand and reputation that we may not be able to maintain; (iv) we may fail to continue to attract and retain students in our schools; (v) our students' academic performance may fall and satisfaction with our educational services may otherwise decline; (vi) we may be subject to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures due to competition in the education sector; (vii) our business depends on our ability to recruit and retain qualified and committed teachers and other school personnel; and (viii) we may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our educational and other services in China. A detailed discussion of these and other risks relating to our business, our industry, the PRC and the Global Offering are set out in "Risk Factors" of this prospectus.

PROPERTY VALUATION

According to the property valuation report prepared by DTZ Cushman & Wakefield Limited, an independent valuer, as contained in Appendix III to this prospectus, the value of the properties held by us for investment in the PRC as of 31 December 2016 was approximately RMB18.3 million and the value of the properties held and occupied by us in the PRC as of the same date was approximately RMB490.0 million. Please refer to Appendix III to this prospectus for detailed information on the valuation of our properties, including major assumptions for the valuation. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – The appraisal value of our properties may be different from their actual realizable values and are subject to uncertainty or change" for details of the risks associated with the assumptions made in the valuation of our properties.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were not in compliance with certain PRC laws and regulations, including, (i) we breached the relevant requirements for making full contributions to the social insurance plans and the housing provident fund for our employees; (ii) we had not obtained the land use right certificates for certain parcels of land used by one of our schools; (iii) we used certain personal accounts opened under the names of some of our Directors and senior management for the settlement of corporate funds for Guangdong Guangzheng and four of our schools; and (iv) we had not obtained real estate ownership certificates and certain requisite certificates or permits for certain of our owned buildings. Please refer to "Business – Legal Proceedings and Compliance" in this prospectus for further details.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms.”

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association conditionally adopted by our Company on 3 January 2017, with effect from the Listing Date, as amended from time to time, a summary of which is set forth in Appendix IV to this prospectus
“BNP Paribas”	BNP Paribas Securities (Asia) Limited, acting as joint global coordinator, joint bookrunner and joint lead manager of the Global Offering and the sole sponsor of the Listing, 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
“Board”	the board of directors of our Company
“Bright Education BVI”	Bright Education Co. Limited, a limited liability company incorporated in the BVI on 29 July 2010 and a wholly-owned subsidiary of our Company
“Bright Education HK”	Bright Education (HK) Co. Limited, a limited liability company incorporated in Hong Kong on 15 September 2010 and a wholly-owned subsidiary of our Company
“Bright Education Holdings”	Bright Education (Holdings) Co. Limited, a limited liability company incorporated in the BVI on 23 June 2010, all the issued shares of which are held by Mr. Liu, and one of our Controlling Shareholders
“Bright Education Investment”	Bright Education Investment Co. Limited, a limited liability company incorporated in the BVI on 23 June 2010, all the issued shares of which are held by Ms. Li, and one of our Controlling Shareholders
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS

“CAD”	Canadian dollars, the lawful currency of Canada
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “A. Further Information about our Group – 3. Resolutions of the Shareholders of our Company” in Appendix V to this prospectus
“Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct 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, a CCASS Custodian Participant or a CCASS Investor Participant
“Cinese Group”	Cinese Group Company Limited (富盈集團有限公司), a company with limited liability established in the PRC on 18 May 1995 and beneficially wholly owned by Mr. Liu
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Wisdom Education International Holdings Company Limited (睿見教育國際控股有限公司) (formerly known as Wisdom Education Group Company Limited (睿見教育集團有限公司) and Bright Education Group Co. Ltd. (光正教育(集團)有限公司)), an exempted company with limited liability incorporated in the Cayman Islands on 13 July 2010

DEFINITIONS

“Consolidated Affiliated Entities” or “Consolidated Affiliated Entity”	the entities that we control through the Contractual Arrangements which comprised, as at the Latest Practicable Date, Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang’an Guangzheng, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng and Yunfu Guangzheng
“Contractual Arrangements”	the series of contractual arrangements entered into by Dongguan Ruixing, our Consolidated Affiliated Entities and the Registered Shareholders (as the case may be), details of which are described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means collectively Mr. Liu, Ms. Li, Bright Education Holdings and Bright Education Investment
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Decision”	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國國民辦教育促進法〉的決定》) issued by the the Standing Committee of the National People’s Congress on 7 November 2016, which will become effective on 1 September 2017
“Deed of Indemnity”	the deed of indemnity dated 3 January 2017 entered into by our Controlling Shareholders in favour of our Company in respect of certain indemnities, further information of which is set out in “E. Other Information – 1. Deed of Indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-compete undertaking dated 3 January 2017 entered into by our Controlling Shareholders in favour of our Company, pursuant to which our Controlling Shareholders agreed to provide with our Company certain non-compete undertaking, a summary of which is set out in “Relationship with Our Controlling Shareholders – Non-compete Undertaking” of this prospectus
“Deed of Undertaking”	the deed of undertaking dated 3 January 2017 entered into by Mr. Liu and Ms. Li in favour of our Company, further information of which is set out in “Contractual Arrangements – Development in the PRC Legislation on Foreign Investment – Measures to maintain control over and receive economic benefits from our Consolidated Affiliated Entities” of this prospectus
“Directors”	the directors of our Company

DEFINITIONS

“Dongguan Andres”	東莞市安德烈斯教育投資有限公司 (Dongguan Andres Education Investment Co., Ltd.), a company with limited liability established in the PRC on 24 February 2016 and the entire share capital of which is held by Mr. Liu
“Dongguan Cinese Real Estate”	東莞市富盈房地產開發有限公司 (Dongguan Cinese Real Estate Development Co. Ltd.), a company established in the PRC on 27 June 2002 and is indirectly wholly-owned by Mr. Liu
“Dongguan Guangming Primary School”	東莞市光明小學 (Dongguan Guangming Primary School), an entity established under the laws of the PRC on 25 August 2004, of which the school sponsor’s interest is wholly-owned by Guangdong Guangzheng, and a Consolidated Affiliated Entity of our Company
“Dongguan Guangming School”	東莞市光明中學 (Dongguan Guangming School), an entity established under the laws of the PRC on 9 April 2003, of which the school sponsor’s interest is wholly-owned by Guangdong Guangzheng, and a Consolidated Affiliated Entity of our Company
“Dongguan Guangzheng Pharmaceutical”	東莞市光正醫藥有限公司 (Dongguan Guangzheng Pharmaceutical Co., Ltd.), a company with limited liability established in the PRC on 29 September 2003 and a former subsidiary of Guangdong Guangzheng which was disposed of by Guangdong Guangzheng and Mr. Liu, respectively to Mr. Liu Jiefeng (劉杰鋒) (a nephew of Mr. Liu)
“Dongguan Guangzheng Preparatory School”	東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School), an entity established under the laws of the PRC on 1 July 2004, of which the school sponsor’s interest is wholly-owned by Guangdong Guangzheng, and a Consolidated Affiliated Entity of our Company
“Dongguan Guangzheng Property”	東莞市光正物業服務有限公司 (Dongguan Guangzheng Property Services Co., Ltd.), a company with limited liability established in the PRC on 16 January 2009 and a former subsidiary of Guangdong Guangzheng which was disposed of by Guangdong Guangzheng to Mr. Liu Jiefeng (a nephew of Mr. Liu) and Mr. SP Liu in February 2016
“Dongguan Ruixing”	東莞瑞興商務服務有限公司 (Dongguan Ruixing Business Services Co., Ltd.), a company with limited liability established in the PRC on 17 May 2013 and a wholly-owned subsidiary of our Company
“Dongguan Trust”	東莞信託有限公司 (Dongguan Trust Co., Ltd.), a company with limited liability established in the PRC on 13 March 1987 and a former holder of 62.5% equity interest in Panjin Guangzheng and 75% equity interest in Huizhou Guangzheng

DEFINITIONS

“Dongguan Wenhui”	東莞市文匯教育投資有限公司 (Dongguan Wenhui Education Investment Co., Ltd.), a company with limited liability established in the PRC on 6 August 2015 and a Consolidated Affiliated Entity of our Company
“Dongguan Yuexing”	東莞悅興教育諮詢有限公司 (Dongguan Yuexing Education Consulting Co., Ltd.), a company with limited liability established in the PRC on 4 December 2012 and a wholly-owned subsidiary of our Company
“Draft Foreign Investment Law”	the PRC Law on Foreign Investment (Draft for Comment) (《外國投資法(草案徵求意見稿)》) published by MOFCOM on 19 January 2015
“EIT”	the enterprise income tax of the PRC
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) issued on 16 March 2007 and its implementation rules issued on 6 December 2007, both effective from 1 January 2008
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among Dongguan Ruixing, the Registered Shareholders and Guangdong Guangzheng dated 1 July 2016
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among Dongguan Ruixing, the Registered Shareholders and Guangdong Guangzheng dated 1 July 2016
“Exclusive Management Consultancy and Business Cooperation Agreement”	the exclusive management consultancy and business cooperation agreement entered into by and among Dongguan Ruixing, Guangdong Guangzheng and its subsidiary entities as described therein and the Registered Shareholders dated 1 July 2016
“Foreign Investment Catalog”	the Foreign Investment Industries Guidance Catalog of 2015 (《外商投資產業指導目錄(2015)》), which was promulgated jointly by the MOFCOM and NDRC on 10 March 2015 and came into effect on 10 April 2015
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company which prepared the Frost & Sullivan Report
“Frost & Sullivan Report”	the report written by Frost & Sullivan as commissioned by the Company containing an analysis of the PRC education industry and other relevant economic and statistical data, as referred in “Industry Overview” of this prospectus
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“green application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by the Company Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company, its subsidiaries and our Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guang’an Guangzheng”	廣安光正教育發展有限公司 (Guang’an Guangzheng Education Development Co., Ltd.) a company with limited liability established in the PRC on 8 April 2016 and a Consolidated Affiliated Entity of our Company
“Guang’an Guangzheng Preparatory School”	廣安市光正實驗學校 (Guang’an Guangzheng Preparatory School), a school proposed to be established by our Group
“Guangdong Guangzheng”	廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.), a company with limited liability established in the PRC on 10 October 2002 and a Consolidated Affiliated Entity of our Company
“HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards (including HKASs and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 50,000,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to adjustment and re-allocation as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) 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 conditions set out in this prospectus and the Application Forms

DEFINITIONS

“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 13 January 2017, relating to the Hong Kong Public Offering, entered into by our Company, the Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting Arrangements And Expenses – Hong Kong Public Offering” of this prospectus
“Huizhou Guangzheng”	惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.), a company with limited liability established in the PRC on 23 July 2009 and a Consolidated Affiliated Entity of our Company
“Huizhou Guangzheng Preparatory School”	惠州市光正實驗學校 (Huizhou Guangzheng Preparatory School), an entity established under the laws of the PRC on 10 April 2014, of which the school sponsor’s interest is wholly-owned by Huizhou Guangzheng, and a Consolidated Affiliated Entity of our Company
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual or a company who or which is not a director, chief executive or substantial shareholder of our Company or any of our subsidiaries, or an associate of any of such director, chief executive or substantial shareholder
“International Offer Shares”	the 450,000,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and re-allocation as described in “Structure of the Global Offering” of this prospectus
“International Offering”	the conditional placing of the International Offer Shares outside the United States in offshore transactions in accordance with Regulation S, as further described in “Structure of the Global Offering” of this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company and the International Underwriters on or about 19 January 2017, as described in “Underwriting – Underwriting Arrangements And Expenses – International Offering” of this prospectus

DEFINITIONS

“Joint Bookrunners”	BNP Paribas, BOCI Asia Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), CLSA Limited, CMB International Capital Limited, ABCI Capital Limited, CCB International Capital Limited, Haitong International Securities Company Limited and Ping An Securities Limited
“Joint Global Coordinators”	BNP Paribas, BOCI Asia Limited, Citigroup Global Markets Asia Limited, CLSA Limited and CMB International Capital Limited
“Joint Lead Managers”	BNP Paribas, BOCI Asia Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), CLSA Limited and CMB International Capital Limited
“Latest Practicable Date”	6 January 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Law for Promoting Private Education”	Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) issued by the Standing Committee of the National People’s Congress, effective as from 1 September 2003 and amended on 29 June 2013
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around 26 January 2017, from which the Shares are listed and dealings therein are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) joint issued by the MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the State Administration of Industry and Commerce (國家工商行政管理總局), the CSRC and the SAFE on 8 August 2006, effective as from 8 September 2006 and amended on 22 June 2009

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted by our Company on 3 January 2017, as amended from time to time
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Liu”	Mr. Liu Xuebin (劉學斌), our chairman of the Board, an executive Director and one of our Controlling Shareholders
“Mr. SP Liu”	Mr. Liu Shoupeng (劉壽彭), the father of Mr. Liu
“Ms. Li”	Ms. Li Suwen (李素文), our chief executive officer, an executive Director and one of our Controlling Shareholders
“Nantong Guangzheng”	江蘇省南通市光正投資有限公司 (Jiangsu Nantong Guangzheng Investment Co., Ltd.), a company with limited liability established in the PRC on 12 August 2011 and a former subsidiary of Guangdong Guangzheng which was disposed of by Guangdong Guangzheng to Mr. Liu and Ms. Li
“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)
“Notices and Regulations”	the Notice on Regulation of Administration on Fee Collection of Private Primary and Middle School of Guangdong Province (《廣東省物價局、省教育廳關於規範我省民辦中小學校教育收費管理的通知》(粵價[2009]24號)) jointly promulgated by the Price Bureau of Guangdong Province and the Department of Education of Guangdong Province on 4 February 2009, and the Notice on Further Regulations of Administration on Fee Collection of Private Primary and Middle Schools (《關於進一步規範民辦中小學校收費管理的通知》(東價(2014)22號)) jointly promulgated by the Price Bureau of Dongguan City and the Ministry of Education of Dongguan City on 28 January 2014
“Offer Price”	the final HK dollar price per Offer Share (exclusive of brokerage of 1%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in the section headed “Structure of the Global Offering – Pricing and allocation” of this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters exercisable by BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 75,000,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering, to cover over-allocations in the International Offering (if any) as described in the section headed “Structure of the Global Offering – Over-Allocation and Stabilisation” of this prospectus
“Panjin Guangzheng”	盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.), a company with limited liability established in the PRC on 13 March 2013 and a Consolidated Affiliated Entity of our Company
“Panjin Guangzheng Preparatory School”	盤錦光正實驗學校 (Panjin Guangzheng Preparatory School), an entity established under the laws of the PRC on 14 October 2016, of which the school sponsor’s interest is wholly-owned by Panjin Guangzheng, and a Consolidated Affiliated Entity of our Company
“PBOC”	People’s Bank of China, the central bank of the PRC
“Pearl River Delta”	a PRC geographic region comprising Guangzhou, Shenzhen, Zhuhai, Dongguan, Foshan, Zhongshan, Huizhou, Jiangmen, Zhaoqing, Qingyuan, Yunfu, Yangjiang, Meizhou and Heyuan, all of which are located in Guangdong province
“Powers of Attorney”	the respective powers of attorney dated 1 July 2016 executed by Ms. Li and Mr. SP Liu, respectively
“PRC” or “China”	People’s Republic of China and “Chinese” shall be construed accordingly. References in this prospectus to the PRC or China exclude Hong Kong, Macau and Taiwan
“PRC government” or “Chinese government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
“PRC Legal Adviser”	Commerce & Finance Law Offices, a law firm licensed to provide advice with respect to PRC laws
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on 3 January 2017, a summary of the principal terms of which is set out in the paragraph headed “D. Share Option Schemes – 1. Pre-IPO Share Option Scheme” in Appendix V to this prospectus

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into among our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be 19 January 2017, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 24 January 2017
“Registered Shareholders”	Ms. Li and Mr. SP Liu, the registered shareholders of Guangdong Guangzheng
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation steps implemented by our Group, as described in the section headed “History and development” of this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Board by our Shareholders, particulars of which are set forth in the paragraph headed “A. Further information about our Group – 3. Resolutions of the Shareholders of our Company” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government authority responsible for matters relating to foreign exchange administration
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 3 January 2017, the principal terms of which are summarised under the paragraph headed “D. Share Option Schemes – 3. Share Option Scheme” in Appendix V of this prospectus
“Shareholders”	holders of Shares
“Shares”	shares with a nominal value of HK\$0.01 each in the capital of our Company
“Shenzhen Youyue”	深圳光正優越科技開發有限公司 (Shenzhen Guangzheng Youyue Technology Development Co., Ltd.), a company with limited liability established in the PRC on 10 October 2015 and a wholly-owned subsidiary of our Company

DEFINITIONS

“Sino-Foreign Regulation”	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013
“Sole Sponsor”	BNP Paribas
“South China”	a PRC geographic region comprising Guangdong province, Guangxi province and Hainan province
“SP Liu Spouse’s Undertaking”	the undertaking executed by the spouse of Mr. SP Liu, namely Ms. Huang Ailing (黃愛領), dated 1 July 2016
“Stabilising Manager”	BNP Paribas
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Bright Education Holdings on or about 19 January 2017 pursuant to which Bright Education Holdings agrees to lend in aggregate up to 75,000,000 Shares to the Stabilising Manager on the terms set out therein
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the period comprising the three financial years ended 31 August 2016
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“VAT”	the value added tax of the PRC
“Weifang Guangzheng”	濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.), a company with limited liability established in the PRC on 9 October 2015 and a Consolidated Affiliated Entity of our Company

DEFINITIONS

“Weifang Guangzheng Preparatory School”	濰坊光正實驗學校 (Weifang Guangzheng Preparatory School), an entity established under the laws of the PRC on 28 July 2016, of which the school sponsor’s interest is wholly-owned by Guangdong Guangzheng, and a Consolidated Affiliated Entity of our Company
“West Delta”	a PRC geographical region comprising Sichuan province, Shaanxi province and Chongqing municipality city
“White Form eIPO”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yunfu Guangzheng”	雲浮市光正投資有限公司 (Yunfu Guangzheng Investment Co., Ltd.), a company with limited liability established in the PRC on 31 August 2016 and a Consolidated Affiliated Entity of our Company which was owned as to 75% by Guangdong Guangzheng and 25% by Mr. Xie Runjiong (謝潤炯), an Independent Third Party
“Yunfu Guangzheng Preparatory School”	雲浮市光正實驗學校 (Yunfu Guangzheng Preparatory School), a school proposed to be established by our Group
“Zhaoqing Guangming Preparatory School”	肇慶市光明實驗學校 (Zhaoqing Guangming Preparatory School), a school proposed to be established by our Group
“%”	per cent

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

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

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.

GLOSSARY OF TECHNICAL TERMS

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

“A Level courses”	courses designed to prepare students for the examinations required for obtaining the United Kingdom General Certificate of Education Advanced Level qualification offered to students completing secondary education
“ACT courses”	courses designed to prepare students for the ACT college readiness assessment, a standardised test for college admissions in the United States
“compulsory education”	grade one to grade nine education, which all citizens in China must receive, according to the Compulsory Education Law of the PRC
“feeder school”	a PRC primary or middle school, many of whose graduates continue their education at another specific middle or high school
“First Class Universities”	first-tier universities identified in the “University Application and Enrolment Guidelines for Guangdong Province” issued by the Education Examinations Authority of Guangdong Province for the 2013/2014, 2014/2015 and 2015/2016 school years
“fundamental education”	preschool, primary school, middle school and high school level education
“high schools”	schools that provide education for students in grade 10 through grade 12
“IELTS courses”	courses designed to prepare students for the International English Language Testing System (IELTS), a standardised test of English language proficiency
“IGCSE courses”	courses designed to prepare students for the examinations required for obtaining the International General Certificate of Secondary Education (IGCSE), an English language curriculum offered to secondary students to prepare them for more advanced secondary qualifications
“middle class”	the broad group of people who fall socio-economically between the working class and upper class
“middle schools”	schools that provide education for students in grade seven through grade nine
“non-distributable reserve”	a non-distributable reserve established by our Group to manage the retained earnings from our on-campus canteens

GLOSSARY OF TECHNICAL TERMS

“one-child policy”	China’s population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
“primary schools”	schools that provide education for students in grade one through six
“private schools”	schools which are not administered by local, provincial or national governments
“public schools”	schools administered by local, provincial or national governments
“school year”	the school year for all of our schools, which generally starts on or around 1 September of each calendar year and ends on 31 August of the next calendar year
“secondary schools”	schools that include middle schools and high schools

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include all statements in this prospectus that are not historical fact, including, without limitation, statements relating to:

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

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “endeavour”, “envisage”, “estimate”, “expect”, “going forward”, “in the future”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised.

RISK FACTORS

You should carefully read and consider all of the information in this prospectus including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our Contractual Arrangements; (ii) risks relating to the Decision on Amending the Law For Promoting Private Education in the PRC; (iii) risks relating to our business and our industry; (iv) risks relating to doing business in China; and (v) risks relating to the Global Offering.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

We may be subject to severe penalties if the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations.

Foreign investment in the education industry in China is extensively regulated and subject to various restrictions. Under the Foreign Investment Catalog, foreign investors are prohibited from investing in primary and middle schools in the PRC for students in grades one through nine. In addition, under the Sino-Foreign Regulation, foreign investment in high schools in the PRC must be in the form of cooperation between Chinese educational institutions and foreign educational institutions. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, which was issued by the MOE on 18 June 2012, the foreign portion of the total investment in a Sino-foreign joint venture school must be below 50%. Please refer to “Regulations” of this prospectus for further details.

Accordingly, our subsidiaries in China are currently ineligible to apply for the required education licenses and permits in China for the operation of primary and middle schools. In addition, although foreign investment in high schools is not prohibited, our subsidiaries in China are still ineligible to independently or jointly invest and operate high schools. We have entered into a series of arrangements pursuant to which our wholly-owned subsidiary Dongguan Ruixing receives the economic benefits from our Consolidated Affiliated Entities. Please refer to “Contractual Arrangements” of this prospectus for further details. We have been and are expected to continue to be dependent on our Contractual Arrangements to operate our education business in China.

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

- revoking the business and operating licenses of our PRC subsidiaries or Consolidated Affiliated Entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries or Consolidated Affiliated Entities;
- imposing fines or other requirements with which we or our PRC subsidiaries or 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;

RISK FACTORS

- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the use of proceeds from our additional public offering or financing to finance our business and operations in China.

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

Our business may be significantly affected by the Draft Foreign Investment Law, if implemented as proposed.

On 19 January 2015, MOFCOM published the Draft Foreign Investment Law. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and, when implemented, may have a significant impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as our business. Please refer to “Regulations – Foreign Investment in Education in the PRC” for further details. The MOFCOM solicited comments on the Draft Foreign Investment Law in 2015, but no new draft has been published since then. There is substantial uncertainty with respect to its final content, interpretation, adoption timeline or effective date.

In the event that our Contractual Arrangements under which we operate our education business are not treated as a domestic investment and/or our education business is classified as “prohibited business” in the Prohibited List under the Draft Foreign Investment Law as finally enacted, such Contractual Arrangements may be deemed as invalid and illegal and we may be required to unwind the Contractual Arrangements and/or dispose of such education business. As we primarily conduct our education business and operate in the PRC, the occurrence of such an event could have a material and adverse effect on our business, financial condition and results of operations such that the financial results of our Consolidated Affiliated Entities would no longer be consolidated into our financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. An investment loss would be recognised as a result of such derecognition.

As a measure to ensure the Contractual Arrangements remain a domestic investment and are compliant with the Draft Foreign Investment Law, Mr. Liu and Ms. Li, as our Controlling Shareholders, have each given an undertaking in favour of our Company that, among other things, they will continue to maintain their Chinese nationality and citizenship. Please refer to “Contractual Arrangements – Development in the PRC Legislation on Foreign Investment – Measures to Maintain Control Over and Receive Economic Benefits from our Consolidated Affiliated Entities” in this prospectus for further details. Our compliance with the Draft Foreign Investment Law depends on their adherence to the terms of such undertaking. In the event that any of them breaches the undertaking or any of their successors/beneficiaries do not comply with or otherwise adhere to such undertaking, the Stock Exchange has limited enforcement power against any of them and we may not be able to seek effective recourse against any of them. In such event, the Contractual Arrangements may be deemed invalid and illegal and we may be required to unwind the Contractual Arrangements and/or dispose of our Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations.

In addition, it is uncertain whether the measures to be adopted by us to maintain control over and receive economic benefits from our Consolidated Affiliated Entities alone will be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us, such as suspending trade in our Shares, which may have a material adverse effect on the trading and liquidity of our Shares. For details of the Draft Foreign Investment Law and the negative list, its potential impact on our Company, and our measures to maintain control over and receive economic benefits from our Consolidated Affiliated Entities, please refer to “Contractual Arrangements – Development in the PRC Legislation on Foreign Investment” and “Regulations” of this prospectus for further details.

RISK FACTORS

Furthermore, the undertakings given by our Controlling Shareholders may require them to exercise their influence over our Company to prevent us from issuing additional Shares (or securities convertible into Shares) if the effect of any such issuance was to dilute their interest below a level sufficient to represent “control” under the Draft Foreign Investment Law. This may, in turn, impact our ability to finance our future expansion plans or use Shares as consideration for acquisitions or as a form of equity incentive for our management and employees. We also cannot assure you that the undertakings will not serve as a disincentive to parties proposing to acquire a material interest in our Shares or control of our Company, which may have a negative impact on the price and liquidity of our Shares.

Our Contractual Arrangements may not be as effective in providing control over our Consolidated Affiliated Entities as equity ownership.

We have relied and expect to continue to rely on our Contractual Arrangements to operate the majority of our education business in China. Please refer to “Contractual Arrangements” of this prospectus for further details of a description of these Contractual Arrangements. These Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as equity ownership. If we had equity ownership of our Consolidated Affiliated Entities, we would be able to exercise our rights as a direct or indirect shareholder to effect changes in the board of directors of our Consolidated Affiliated Entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as these Contractual Arrangements stand now, if our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot exercise shareholders’ rights to direct corporate actions as direct ownership would otherwise entail. If the parties under such Contractual Arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our schools in China. If we were to lose effective control over our Consolidated Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our Consolidated Affiliated Entities with our financial results. Given that we derived all of our revenue from our Consolidated Affiliated Entities for the years ended 31 August 2014, 2015 and 2016 and substantially all of the assets of our Group are held by our Consolidated Affiliated Entities (including our permits and licences, real estate leases, buildings and other educational facilities related to our schools), our financial position would be materially and adversely affected if we were to lose effective control over our Consolidated Affiliated Entities or if our Contractual Arrangements are invalidated or nullified. In addition, losing effective control over our Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our Consolidated Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over our Consolidated Affiliated Entities is based upon the Contractual Arrangements with our Consolidated Affiliated Entities. The beneficial owners of our Consolidated Affiliated Entities, Mr. Liu and Ms. Li, are also our Controlling Shareholders. Either of them may potentially have conflicts of interest with us and breach any of their contracts or undertakings with us if it would further any of their own interests or if any of them otherwise acts in bad faith. We cannot assure you that when conflicts of interest arise between our Company and the beneficial owners of our Consolidated Affiliated Entities, any of them will act completely in our interest or that the conflicts of interest will be resolved in our favour. In the event that such conflict of interest cannot be resolved in our favour, we may have to rely on legal proceedings which may disrupt our business operations and subject us to uncertainties as to the outcome of such legal proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We may have to incur additional costs and expend substantial resources to enforce our Contractual Arrangements, temporarily or permanently lose control over our primary operations or lose access to our primary sources of revenue, if our Consolidated Affiliated Entities or their respective ultimate shareholders fail to perform their obligations under our Contractual Arrangements.

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

Our Contractual Arrangements described above are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with the competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. In the event that we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities for an extended period of time or we may be permanently unable to exert control over our Consolidated Affiliated Entities. If this were to occur, we would be unable to consolidate the financial results of our Consolidated Affiliated Entities with our financial results, which may materially and adversely affect our business, financial condition and results of operations and may therefore decrease the value of our Shareholders' investments in our Company.

In addition to the enforcement costs outlined above, during the course of disputes regarding such enforcement action, we may temporarily lose effective control over our schools in China, which may lead to loss of revenue or potentially lead to our having to incur additional costs and expend substantial resources to operate our business in the absence of effective enforcement of these Contractual Arrangements. If this were to occur, our business, financial condition and results of operations may be materially and adversely affected and the value of our Shareholders' investments in our Company may therefore decrease.

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

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing. Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Adviser that the abovementioned provisions may not be enforceable. Under PRC laws, an arbitral body granting any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Chinese legal entities in case of disputes must submit the application to the court in China. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China in favour 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 an entity as interim remedies to preserve the assets or shares in favour of any aggrieved party.

RISK FACTORS

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, which may impose late payment fees and other penalties on us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the exclusive management consultancy and business cooperation agreements entered into, among others, our Consolidated Affiliated Entities and Dongguan Ruixing 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 form the view that our subsidiaries or Consolidated Affiliated Entities have improperly minimised their tax obligations and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which may materially and adversely affect our business, financial condition and results of operations.

We rely on dividends and other payments from Dongguan Ruixing or another PRC subsidiary 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 Dongguan Ruixing, one of our PRC subsidiaries, or another PRC subsidiary. The amount of dividends paid to us by Dongguan Ruixing or another PRC subsidiary depends solely on the service fees paid to Dongguan Ruixing or another PRC subsidiary from our Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by Dongguan Ruixing or another PRC subsidiary. For example, relevant PRC laws and regulations permit payments of dividends by Dongguan Ruixing or another PRC subsidiary only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, Dongguan Ruixing or another PRC subsidiary is required to set aside at least 10% of its after-tax profits based on the PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. Consequently, Dongguan Ruixing or another PRC subsidiary is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of Dongguan Ruixing or another PRC subsidiary to pay dividends to us and the limitations on the ability of Consolidated Affiliated Entities to pay service fees to Dongguan Ruixing or another PRC subsidiary could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares.

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

The principal regulations governing private education in China are the Law for Promoting Private Education and the Implementation Rules. Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. Each of our schools has elected to be a school the school sponsor of which requires reasonable returns. A private school the school sponsor of which requires reasonable returns must publicly disclose such election and any additional information required under the PRC regulations. A private school must consider factors such as the level of 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". PRC laws and regulations require a private school the school sponsor of which requires reasonable returns to make an annual appropriation of 25% of its after-tax income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance

RISK FACTORS

of the school or for the procurement or upgrading of educational equipment. The total amount of development fund reserves our schools made during the three years ended 31 August 2014, 2015 and 2016 was RMB28.7 million, RMB39.3 million and RMB35.4 million, respectively. Furthermore, 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 the school sponsor of which requires reasonable returns or a school the school sponsor of which does not require reasonable returns.

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People's Congress, which will become effective on 1 September 2017. According to the Decision, private schools can be established as not-for-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as not-for-profit entities. According to the Decision, it will no longer make a distinction between schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. School sponsors of for-profit schools may obtain operating profits, while schools sponsors of not-for-profit schools cannot obtain operating profits. Please refer to "Risk Factor – Risks Relating to the Decision on Amending the Law for Promoting Private Education in the PRC", "Regulations – Regulations on Private Education in the PRC – The Decision on Amending the Law for Promoting Private Education of the PRC" and "Business – The Decision on Amending the Law for Promoting Private Education of the PRC" for further details.

In addition, we established a non-distributable reserve to manage the retained earnings from our on-campus canteens. Funds in the non-distributable reserve will not be distributed to the school sponsors. As of 31 August 2016, the total amount of funds transferred to the non-distributable reserve was RMB182.5 million. Please refer to "Business – Ancillary Services" for further details.

As a holding company, our Company's ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Dongguan Ruixing or another PRC subsidiary. The amount of dividends and other distributions Dongguan Ruixing or another PRC subsidiary is able to pay to us depends on the amount of service fees paid to Dongguan Ruixing or another PRC subsidiary from our Consolidated Affiliated Entities pursuant to the Contractual Arrangements. Our PRC Legal Adviser advises us that Dongguan Ruixing's or another PRC subsidiary's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC laws and regulations. Our PRC Legal Adviser also advises us that the Decision has no material impact on the Contractual Arrangements and that the Contractual Arrangements will remain legal and effective (including the payment of fees pursuant thereunder) after the Decision becomes effective, if 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 "**Sino-foreign Schools Regulation**"), the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015年修訂)) (the "**Guidance Catalog**") and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Guidance Catalog still prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation; and (ii) the Decision does not prohibit the Contractual Arrangements in relation to schools operating in the PRC, and does not prohibit the payment of service fees by private schools operating in the PRC to their service providers, including the payment of fees pursuant to the Contractual Arrangements. However, if the relevant PRC government authorities take a different view to our PRC Legal Adviser, such authorities may seek to confiscate any or all of the service fees that have been paid by our Consolidated Affiliated Entities to Dongguan Ruixing or another PRC subsidiary, including retrospectively, if, among other things, such service fees are viewed as being "reasonable returns" or "profits" taken by the school sponsors of these schools in violation of PRC laws and regulations. The relevant PRC authorities may also seek to stop student enrolments at our schools or, in a worse situation, revoke the operation permits of these schools. As a result, our business, our financial position and the market price of our Shares may be materially and adversely affected.

RISK FACTORS

We may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations, impair our ability to generate revenue and materially affect the market price of our Shares, if any of our Consolidated Affiliated Entities becomes the subject of a bankruptcy or liquidation proceeding.

We currently conduct the majority of our operations in China through the Contractual Arrangements. As part of these arrangements, our Consolidated Affiliated Entities hold a majority of the assets that are important to the operation of our business, including operating permits and licenses, real estate leases, buildings and other educational facilities related to the schools. Under the Contractual Arrangements, Ms. Li and Mr. SP Liu may not unilaterally, without our consent, decide to voluntarily liquidate our Consolidated Affiliated Entities.

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

Moreover, the Decision (which was approved by the Standing Committee of the National People's Congress on 7 November 2016 and will become effective on 1 September 2017) sets out certain specific requirements and restrictions with respect to the disposition of assets by private not-for-profit schools upon liquidation. All our schools are currently not-for-profit schools. Please see "Risks related to the Decision on Amending the Law for Promoting Private Education in the PRC – There are substantial uncertainties regarding the interpretation and application of the Decision" below for further details.

Our exercise of the option to acquire the equity interests of our Consolidated Affiliated Entities may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Under the Sino-Foreign Regulation, foreign investors of Sino-foreign joint venture schools must be foreign educational institutions. According to the Sino-Foreign Regulation, such foreign investors must be foreign institutions with relevant qualifications and experience in a foreign country (the "**Qualification Requirement**"). As part of our efforts to meet the Qualification Requirement, we entered into a memorandum of understanding with Dewey College on 10 February 2016 with respect to the parties' proposed cooperation in setting up a private school in Ontario, Canada, as well as other proposed cooperation in international education. As at the Latest Practicable Date, we had established a subsidiary in Canada, which is a joint venture company with Dewey International Holdings Limited for the potential development of the new school in Canada. If the restrictions on the percentage of foreign ownership in high schools and the prohibition on foreign ownership in primary and middle schools are lifted, we may be unable to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement, or if we attempt to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirement we may be ineligible to operate the schools and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, our exercise of the option to acquire the equity ownership of our Consolidated Affiliated Entities may incur substantial costs on our part. Pursuant to our Contractual Arrangements, Dongguan Ruixing has the exclusive right to require the shareholders of our Consolidated Affiliated Entities to transfer any or all of the equity interests in our Consolidated Affiliated Entities to Dongguan Ruixing and/or its designated third party, at any time and at the lowest price permitted under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase price for acquiring our Consolidated Affiliated Entities is below the market value, they may require Dongguan Ruixing to pay EIT for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION IN THE PRC

There are substantial uncertainties regarding the interpretation and application of the Decision

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People's Congress, which will become effective on 1 September 2017. According to the Decision, private schools can be established as not-for-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as not-for-profit entities and the Decision no longer makes the distinction between schools the school sponsor of which requires reasonable returns and those which do not require reasonable returns. Under the Decision, school sponsors of for-profit schools may obtain operating profits while school sponsors of not-for-profit schools cannot obtain operating profits. For details of the amendments pursuant to the Decision, including the major differences between not-for-profit schools and for-profit schools, please refer to "Regulations – Regulations on Private Education in the PRC – The Decision on Amending the Law for Promoting Private Education of the PRC" and "Business – The Decision on Amending the Law for Promoting Private Education of the PRC" of this prospectus.

We have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of the Decision which affect or may affect our industry as a whole or any of our schools, especially given that the implementation regulations in connection with the Decision have not been promulgated as at the Latest Practicable Date. Such uncertainties include:

- ***Uncertainties with respect to the change of status of the schools into for-profit schools***

According to the Decision, where schools established before the promulgation of the Decision choose to be for-profit schools, they shall carry out property liquidation, identify property ownership in accordance with the applicable PRC laws, pay the relevant taxes and duties and re-apply for registration, before such schools continue with their operations. The Decision does not specify that our schools (which are all currently not-for-profit schools) have to notify any authority of their status as not-for-profit entities or for-profit entities within a prescribed time period upon the Decision becomes effective. The Decision is silent on the specific measures with respect to how existing schools can change their status to for-profit schools, which, according to the Decision, shall be regulated by the corresponding laws and regulations promulgated by local government authorities. It is also unclear how existing schools that choose to become for-profit schools will be required to pay additional taxes during the transition process.

Based on the reasons set out above and given that the implementation regulations have not been promulgated, we have not yet had any definitive plan to change the status of any of our high schools to for-profit schools as at the Latest Practicable Date. As advised by our PRC Legal Adviser, the above arrangement relating to our high schools does not violate the applicable PRC laws, since the Decision does not require existing private high schools to decide whether to become for-profit or not-for-profit schools within a time limit. In the event that the status of any of our high schools is changed into a for-profit school, according to the Decision, the school sponsor of such school will be able to obtain operating profit. There is no assurance that the relevant PRC government authorities will not take a view different from our view or the view of our PRC Legal Adviser. Further, there is no assurance as to whether, when and how we will be required to notify the relevant authorities to confirm our status as not-for-profit schools or, in respect of our high schools, change such status by a stipulated deadline or if so, whether we will be able to change so as required or at all without adversely affecting operations. If any of our high schools is changed or otherwise required to be changed into a for-profit school, we may have to pay additional tax and undergo re-registration or financial settlement. We cannot assure you that we will be obtain and complete, as the case may be, all necessary approvals, filings,

RISK FACTORS

re-registration and other procedures in connection therewith as contemplated or at all, which may materially and adversely affect our schools' operation and may materially and adversely affect our business, financial condition, results of operations and market price of our Shares.

- ***Uncertainties with respect to liquidation***

The prevailing PRC laws do not specify the distribution of the remaining assets of private schools upon their liquidation. However, according to the Decision, upon liquidation of private for-profit schools, school sponsors can obtain the schools' remaining assets after the settlement of the schools' indebtedness. The Decision also states that upon liquidation of private not-for-profit schools which are established before the promulgation of the Decision, the school sponsors of which can apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness and the rest of the school's remaining assets shall be used for the operation of other not-for-profit schools. The Decision is silent on how or by whom the aforesaid rest of the remaining assets of a liquidated not-for-profit school shall be dominated or disposed of. Accordingly, once the Decision becomes effective, we may not be able to transfer all or part of the remaining assets and residual interests of our schools (which are all currently not-for-profit schools) to Dongguan Ruixing or another PRC subsidiary upon their liquidation. As a result, our business, our financial position and the market price of our Shares may be materially and adversely affected.

- ***Uncertainties with respect to school fees***

According to the Decision, the fees charged by private schools shall be determined in accordance with costs and market demand. The level of fees charged by for-profit schools are determined by the schools at their discretion, while the level of fees charged by not-for-profit schools shall be regulated by the regulations or rules to be promulgated by the relevant local government authorities. The regulations or rules to be promulgated by the relevant local government authorities implementing the Decision may impose limits on the fees we charge at our schools (which are all currently not-for-profit schools) or prevent us from raising the tuition and boarding fees to our desired levels or at all. As the implementation regulations have not been promulgated, there is no certainty as to whether there will be any material adverse impact on the fees charged by not-for-profit schools generally or our schools. We may not be able to maintain our current tuition and board fees, and may not be able to raise any of such fees at our desired rates, times and places or at all in the future. As a result, our business, our financial position and the market price of our Shares may be materially and adversely affected.

- ***Uncertainties with respect to supporting measures***

According to the Decision, additional supportive measures will be provided for private schools. Not-for-profit schools will enjoy more supportive measures than for-profit schools, such as government subsidies, fund awards and incentive donations. Not-for-profit private schools will enjoy the same preferential tax treatments as public schools, while for-profit schools will not be expected to enjoy the same preferential tax treatments as public schools and not-for-profit private schools. The Decision does not specify whether and how existing schools that choose to become for-profit schools will be required to pay additional taxes during the transition process. As the relevant PRC tax laws have not been amended to distinguish between not-for-profit and for-profit schools, there is currently no certainty as to whether the tax treatments will change after the Decision becomes effective. According to the Decision, while land will be supplied to all private schools in accordance with applicable laws, not-for-profit private schools will enjoy the same treatment as public schools with respect to the supply of land, which will be supplied by the government through allocation or other means, and for-profit schools are not expected to enjoy the same treatment as public schools and not-for-profit schools. As the implementation regulations have not been promulgated, there is no certainty as to whether and how our schools will be able to be benefited from any of such additional supporting measures as contemplated or at all. We cannot assure you that the tax and other treatments contemplated under the Decision will not change or that they apply or continue to apply to our schools after the Decision becomes effective.

RISK FACTORS

Please also refer to “Risks Relating to our Contractual Arrangements – Our Consolidated Affiliated Entities may be subject to limitations on their ability to operate private education or make payments to related parties” above for our PRC Legal Adviser’s view on the implication of the Decision on the Contractual Arrangements and the associated risks. As a result of the uncertainties in connection with the Decision, there can be no assurance that our schools will remain as not-for-profit schools under subsequent interpretation and application of the Decision and implementation regulations in connection therewith, that we will not be materially and adversely affected by any conversion of certain of our schools into for-profit schools, or that the Decision and subsequent interpretation and application and implementation regulations in connection therewith will not materially and adversely affect our business, financial condition, results of operations and the market price of our Shares. Moreover, any speculation in the market with respect to such interpretation, application and implementation, whether or not they will be materialised as speculated or at all, may negatively affect the market price of our Shares.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our business depends on our ability to maintain or raise the tuition and boarding fee levels we charge at our schools.

We derive the majority of our revenue from tuition fees and boarding fees. For the years ended 31 August 2014, 2015 and 2016, revenue from tuition fees and boarding fees represented 78.0%, 77.8% and 78.5% of our total revenue, respectively. We determine the tuition and boarding fee rate for each of our schools primarily based on the demand for our educational programmes, the cost of operations of the school, the tuition fees charged by our competitors, our pricing strategy, the economic conditions of the city or area in which the school is located and the general economic conditions in China. Moreover, the Decision (which was approved by the Standing Committee of the National People’s Congress on 7 November 2016 and will become effective on 1 September 2017) sets out certain specific requirements with respect to the level of fees charged by not-for-profit schools. All our schools are currently not-for-profit schools. Please see “Risks related to the Decision on Amending the Law for Promoting Private Education in the PRC – There are substantial uncertainties regarding the interpretation and application of the Decision” above for further details. Therefore, we may not be able to maintain our current tuition and boarding fees, and may not be able to raise any of such fees for our schools at our desired rates, times and places or at all in the future.

Even if we are able to maintain or raise our tuition and boarding fee levels, we may fail to attract sufficient prospective students to apply for our schools at those levels. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We generate all of our revenue from a limited number of cities in China and from a limited number of schools.

During the Track Record Period, we operated in three cities in China, namely, Dongguan, Huizhou and Panjin. Dongguan and Huizhou are located in Guangdong province and Panjin is located in Liaoning province. Dongguan is particularly important to our overall business as it is the home of three of our schools, two of which were the largest schools in our school network in terms of number of students enrolled as of 1 September 2015 and 1 September 2016. For the years ended 31 August 2014, 2015 and 2016, we generated 99.4%, 94.4% and 88.9%, respectively, of our revenue from our three schools in Dongguan. We expect that we will continue to generate the majority of our revenue from the three schools in Dongguan for the foreseeable future and our schools in Huizhou and Panjin will generate an increasing portion of our revenue. In addition, four of our schools are located in Guangdong province. For the years ended 31 August 2014, 2015 and 2016, we generated substantially all of our revenue from our schools in Guangdong province.

RISK FACTORS

Consequently, we are highly susceptible to factors adversely affecting the PRC private education industry, or us, in any of the limited geographic areas in which our schools are located. If Guangdong province or any of the cities in which we operate, especially Dongguan, experiences an event that materially and adversely affects its education industry or us, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities governing Guangdong province or any of the cities in which we operate, especially Dongguan, adopt regulations that place additional restrictions or burdens on us or on the education industry in general, our business, financial condition and results of operations may be materially and adversely affected. In addition, if any of our schools, especially our Dongguan Guangming School, Dongguan Guangzheng Preparatory School and Dongguan Guangming Primary School, experiences an event that materially and adversely affects its student enrolment, tuition, school operations or reputation in general, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on the market recognition of our brand and reputation that we may not be able to maintain.

The success of our business has depended and will continue to depend on our brand and reputation. Our brand and reputation may be affected by a number of factors, including student and parent satisfaction rates, teaching quality, academic performance of students, university admission rates, campus accidents, scandals involving our schools, negative publicity and failure to pass governmental inspections. Some of these factors are beyond our control. In addition, as we continue to grow in size, expand our programmes and extend our geographic reach, it may become difficult to maintain quality and consistency in the services we offer, which may lead to diminishing confidence in our brand name and negatively affect our reputation. If our brand or reputation is damaged or negatively affected, students' and parents' interest in our schools may decrease and our business, financial condition and results of operations could be materially and adversely affected.

We have developed our student base primarily through word-of-mouth referrals, advertisements, public promotion events, trial classes and feeder school visits. However, we cannot assure you that our marketing efforts will be successful or sufficient in further promoting our brand and reputation to help us maintain or increase student enrolment. Moreover, there can be no assurance that our brand and reputation will hold sufficient market recognition in the geographic areas where we plan to establish new schools. If we are unable to further enhance the market recognition of our brand and reputation, or if we are required to incur excessive marketing expenses to promote our brand and reputation, our business, financial condition and results of operations may be materially and adversely affected.

We may fail to continue to attract and retain students in our schools.

The success of our business depends on the number of students enrolled in our current schools and in any new schools we may establish or acquire in the future, as well as on the amount of tuition our students and parents are willing to pay. Our ability to attract and retain students depend on several factors, including our ability to:

- enhance existing programmes to respond to market changes and the demands of students and parents;
- develop new programmes or schools that appeal to students;
- maintain and improve our reputation for providing high quality primary, middle and high school education;
- maintain and improve the academic and non-academic performance of our students;
- recruit and retain qualified teachers;

RISK FACTORS

- manage our growth while maintaining the consistency of our teaching quality;
- expand our geographic reach;
- effectively market our schools and programmes to prospective students; and
- respond to the increasing competition in the market.

In addition, local and provincial government authorities may impose restrictions on the number of students we can recruit or the areas in which we can recruit students. As of 1 September 2015, the number of students enrolled at each of our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School exceeded the student admission limit set by Dongguan Education Bureau for each school when the school first commenced operations (the “**initial limit**”). We have applied for written approval by Dongguan Education Bureau to increase the initial limit for our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School. However, we cannot assure you that we will obtain such written approval or that we will not be subject to penalties for exceeding the initial limit. As of the Latest Practicable Date, no fines or other penalties had been imposed on us for exceeding the initial limit. We have engaged our PRC Legal Adviser to conduct an interview with Dongguan Education Bureau, being the competent government authority supervising student enrolment matters in Dongguan, which confirmed that although the initial limit is exceeded, the number of students admitted by our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School each year are in compliance with the annual student recruitment quota granted by Dongguan Education Bureau (the “**annual quota**”). During the Track Record Period, we did not encounter any issues with registering students enrolled at our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School with Dongguan Education Bureau. Based on the interview and taking into account the advice from our PRC Legal Adviser, our Directors believe that exceeding the initial limit does not have a material impact on our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School or our Group as a whole. However, according to our interview with, and the Working Plan for Regulating Significant Over-enrolment in Private Schools (關於整治民辦學校嚴重超規模辦學的工作方案) issued by, Dongguan Education Bureau, the bureau will gradually limit the annual quota granted to each school to maintain appropriate student body size and class size of the schools in Dongguan. As a result, we may not be able to obtain the annual quota necessary to maintain or increase student enrolment at our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School in the future. If we fail to obtain the approval to increase the initial limit and if the relevant government authority reduces or does not increase our annual quota for student recruitment, our ability to maintain or increase student enrolment at our Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School may be substantially limited, and our business, financial condition and results of operations may be materially and adversely affected.

Our students’ academic performance may fall and satisfaction with our educational services may otherwise decline.

Our students’ academic performance may be affected by various factors, including teaching method and materials, personal efforts, learning environment, pressure and family influence, some of which may be beyond our control. If their academic performance fall or do not improve as expected, our students may be unable to achieve the test scores necessary for their desired university, high school or middle school admissions and satisfaction with our educational services may decline. Satisfaction with our educational services may also decline due to negative publicity on our schools, Directors or management, lack of qualified teachers, unsatisfactory learning environment or other factors, which may result in, among others, a decrease in word-of-mouth referrals and reputation, students’ withdrawal from our schools and decreased application for our schools. If our student retention rate decreases substantially or if we otherwise fail to continue to attract and admit students due to decreased students’ or parents’ satisfaction with our educational services, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We may be subject to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures due to competition in the education sector.

The education sector in China is rapidly evolving, highly fragmented and competitive and we expect competition in this sector to persist and intensify. In each geographic market in which we operate our schools, we compete with public schools and other private schools that offer primary, middle and high school education. We compete with these schools across a range of factors, including programme and curriculum offerings, tuition level, school location and premises, qualified teachers and other key personnel.

Our competitors that are private schools may offer similar or superior educational programmes, with different pricing and service packages that are more appealing than those offered at our schools. Some of our competitors that are private schools may have more resources than us and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to changes in student demands, testing materials, admissions standards, market needs or new technology. In November 2016, the Standing Committee of the National People's Congress approved the Decision on Amending the Law for Promoting Private Education, which will become effective in September 2017 and allows private schools that provide non-compulsory education to register as for-profit entities and, if registered as such, to make their own decisions on tuition levels. Such regulatory change may attract more private school players in non-compulsory education and further increase competition in the education industry once adopted.

Our competitors that are public schools may have access to resources that may not be available to private schools and may be able to offer quality educational programmes at lower prices than our schools. According to the Frost & Sullivan Report, tuition fees charged by public schools are generally lower than tuition fees charged by private schools, especially premium private schools. In addition, the PRC public education system continues to improve in terms of resources, admission policies and teaching quality and approaches. If public schools relax their admission limitations, offer more diversified curriculum, upgrade their campus facilities or reforms the exam-oriented education approach, they may become more attractive to students, which may lead to increased competition in the education industry.

As a result, we may be required to reduce tuition or increase spending in order to retain or attract students or pursue new market opportunities. If we are unable to successfully retain and attract students, maintain or increase our tuition level, recruit and retain qualified teachers or other key personnel, enhance the quality of our educational services or control competition costs, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on our ability to recruit and retain qualified and committed teachers and other school personnel.

We rely substantially on our teachers for the provision of educational services to our students. Our teachers are critical to maintaining the quality of our programmes and upholding our brand and reputation. As of 1 September 2015, we had a team of 1,666 teachers, including 415 high school teachers, 645 middle school teachers, 568 primary school teachers and 38 teachers for the international programmes. We must continue to attract qualified teachers who are committed to teaching and loyal to our schools. We face competition from public schools, other private education providers and other institutions for high quality candidates and may have to incur additional costs for our recruitment efforts. We may not be able to recruit enough teachers to keep pace with the growth of our student enrolment while maintaining consistent teaching quality and the overall quality of our education programmes across different schools. In addition, criteria such as dedication, capability and loyalty are difficult to ascertain during the recruitment process and we may fail to identify and select the desired candidates.

RISK FACTORS

Furthermore, we may be unable to retain high quality teachers or have to incur significant expenditures for our retention efforts. For the 2013/2014, 2014/2015 and 2015/2016 school years, 14.5%, 9.7% and 12.5% of our teachers voluntarily resigned from our schools. Teachers may be dissatisfied with their workload, compensation, benefits, career path or working environment, which may disrupt our school operations and teaching activities, adversely affect our reputation and damage our ability to attract and retain teachers and students. In March 2015, some high school teachers of Dongguan Guangming School gathered to express dissatisfaction with respect to their compensation package and certain classes at the school were affected. Management of our Dongguan Guangming School met with the teacher representatives on the same day and the school resumed normal operations on the next day. We increased the compensation package of teachers in Dongguan Guangming School and Dongguan Guangming Primary School starting from March 2015 and made an aggregate payment of RMB10.5 million to 660 teachers in Dongguan Guangming School and Dongguan Guangming Primary School in June 2015. The incident was widely reported (whether accurately or not) by the media and we cannot assure you that similar incidents will not happen in the future.

Similarly, other school personnel such as administrators, counsellors and financial staff also play an important role in the efficient and smooth running of our schools. There is no guarantee that we can recruit and retain quality personnel to perform these functions in the future without incurring significant costs or at all. If we are unable to recruit and retain qualified and committed teachers and other school personnel at reasonable costs or at all, or if there is a significant decrease in teaching quality or educational experiences in our schools due to lack of qualified teachers or other school personnel, or if our teachers or other school personnel take disruptive actions to express their dissatisfaction with our schools or our Group, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our educational and other services in China.

We are required to obtain and maintain various approvals, licenses and permits and fulfil registration and filing requirements in order to operate our schools and provide educational and other services to our students. For instance, we are required to obtain and/or renew a private school operation permit, obtain and/or renew a registration certificate for private non-enterprise entities, pass annual inspections conducted by the relevant government authorities, obtain a tax registration certificate, obtain approval from the relevant government authorities as to the scale and scope of our student recruitment activities and obtain approval for cooperating with the other parties in the operation of international programmes at our schools.

While we intend to obtain all requisite approvals, licenses and permits, and complete the necessary filings, renewals and registrations on a timely basis for our schools, there is no assurance that our efforts will result in full compliance as there may be factors beyond our control, intention and anticipation, and the local PRC authorities may have significant discretion in interpreting, implementing and enforcing the relevant rules and regulations. We have failed to maintain the requisite approvals, licenses or permits in the past. For instance, our Dongguan Guangming School and Dongguan Guangzheng Preparatory School did not pass the 2014/2015 school year inspection conducted by Dongguan Education Bureau. We cannot assure you that such incidents will not happen in the future or that our remedial measures are or would be appropriate, timely and effective. If we fail to obtain or renew the required approvals, licenses or permits in a timely manner or at all, we may be subject to fines, confiscation of the gains derived from our schools, suspension of some or all of our school operations, be required to compensate the economic losses suffered by our students or other relevant parties, or be subject to other penalties or administrative actions, which may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

In addition, our Dongguan Guangzheng Preparatory School has not yet obtained the written approval from the relevant education authority for operating its international programmes. Although Dongguan Education Bureau, being the competent government authority regulating the international programmes, acknowledged the international programmes operated by our Dongguan Guangzheng Preparatory School during its interview with our PRC Legal Adviser on 17 May 2016, we cannot assure you that the education authority will not change its position or policies with regard to the international programmes at Dongguan Guangzheng Preparatory School. Furthermore, we have not obtained written approval from the relevant government authorities for the fees charged at the international programmes of Dongguan Guangming School and Dongguan Guangzheng Preparatory School. Although the price administration office of Dongguan Development and Reform Bureau, being the competent government authority regulating the pricing practices of private schools, acknowledged such pricing practice and confirmed that our schools are allowed to determine the fee standards of the international programmes by themselves during an interview with our PRC Legal Adviser on 17 May 2016, we cannot assure you that the competent government authority will not change its position or policies regarding the fees charged by our international programmes. 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 aforesaid issues, nor had our Dongguan Guangming School or Dongguan Guangzheng Preparatory School been required to rectify the aforesaid issues. 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 our international programmes, suspension of our international programmes and/or be required to compensate economic losses suffered by our students or other relevant parties, or be subject to other penalties or administrative actions, which may materially and adversely affect our business, financial condition and results of operations.

We may lose government support or fail to partner with the relevant local government authorities for the establishment and operations of our schools.

All of our schools have received government support, which we believe give us access to resources that may not be available to other private schools, including high quality teachers, government administered teacher and school principal training programmes, government support in student recruitment activities, government assistance with regulatory filings and applications and preferential policies on land allocation or assignment. We also intend to apply for support from the relevant government authorities in the markets into which we seek to penetrate. However, we cannot assure you that the government authorities will continue to support our existing schools or that we will be able to obtain the support from the government authorities with which we intend to cooperate for the establishment of our new schools. The government authorities may decide not to support our schools or cooperate with us in the future due to various reasons, many of which may be beyond our control. If we lose government support for our existing schools or are unable to find government authorities that are willing to cooperate with us for the establishment of our new schools, we may lose access to certain resources, incur significant costs or have to change the target location for our new schools, and our business, financial condition and results of operations may be materially and adversely affected.

We may be adversely affected by negative publicity concerning our schools, our Group, our Controlling Shareholders, our Directors or our employees.

Any negative publicity concerning our schools, our Group, our Controlling Shareholders, our Directors, our employees or any of them, even if untrue, could adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff. There has been negative publicity about our schools or our Group in the past, such as our schools' failure to pass annual inspections, labour disputes with our teachers and staff, complaints about our student recruitment and fee collection activities, alleged theft in our dormitories, lawsuits with respect to the construction of our schools and our schools' alleged involvement in activities unrelated to educational services. Our schools and our Group may be subject to additional negative publicity in the future, which, even if untrue, may damage our brand image and reputation, deter prospective

RISK FACTORS

students and teachers and take up excessive time of our management and other resources. In addition, there has been and may be, from time to time, negative publicity concerning our Directors or Controlling Shareholders, which, whilst not necessarily related to our Group or our business, may negatively affect our reputation. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The non-distributable reserve we established may not be a sufficient or appropriate measure for the operation of on-campus canteens.

Under the relevant PRC laws and regulations, on-campus canteens in principle must be operated on a not-for-profit basis. However, the principle of “not-for-profit” is not defined in any PRC laws and regulations. We conducted consultation with the relevant educational authorities and price authorities with respect to the understanding of the “not-for-profit” principle, from which we understand that the principle of “not-for-profit” is met if our schools do not seek to distribute to our school sponsors the retained earnings from our on-campus canteens, which may be applied to the continuous operation and improvement of the relevant on-campus canteens. Our PRC Legal Adviser is of the view that, the principle of “not-for-profit” is met if the school sponsors and operators of a school do not derive a profit from the operations of the on-campus canteens. During the Track Record Period, none of our schools had distributed any retained earnings (including any retained earnings from the on-campus canteens) to our school sponsors, none of the retained earnings from our on-campus canteens had been provided to our school sponsors as returns and the school sponsors and operators of our schools did not derive or intend to receive a profit from the operations of our on-campus canteens. Accordingly, our PRC Legal Adviser is of the view that, our operation of the on-campus canteens does not violate the aforesaid “not-for-profit” principle and is consistent with the legal principle stated in the General Principles of the Civil Law of the People’s Republic of China (Draft), promulgated by the Standing Committee of the National People’s Congress of the People’s Republic of China on 5 July 2016, which provides that “not-for-profit legal entities shall not distribute profits to its members or sponsors” and the principle stated in the third Draft of the General Principles of the Civil Law published on 27 December 2016, which provides that “an entity established for the purpose of public interest or for other not-for-profit purposes and not distributing profits to its investor or establisher shall be a not-for-profit entity”. To better manage the retained earnings from our on-campus canteens going forward, we have voluntarily established a non-distributable reserve and have transferred all the retained earnings of our on-campus canteens since the operation thereof into such reserve. As of 31 August 2016, all such retained earnings in the amount of RMB182.5 million had been transferred to the aforesaid non-distributable reserve. Funds in the non-distributable reserve may be used for continuous operation and improvement of the relevant on-campus canteens and other purposes permitted by PRC laws, and are not distributable to the school sponsors. Our PRC Legal Adviser is of the view that, the establishment of the non-distributable reserve and the transfer of such balance to the reserve to be applied to continuous operation and improvement of the relevant on-campus canteens and other purposes permitted by PRC laws and regulations are not in breach of the “not-for-profit” principle. During the Track Record Period, capital expenditure on certain improvement work of our on-campus canteens was funded by such retained earnings. Please refer to “Business – Ancillary Services” for further details. However, the relevant PRC laws may change and the relevant government authorities may have different interpretations and the establishment of a non-distributable reserve or any of our additional measures may not be sufficient or appropriate for the operation of our on-campus canteens. We therefore may be subject to penalties or other administrative action and may not be able to identify an effective alternative measure in time or at all. In addition, if the relevant PRC laws and regulations change or the relevant government authorities’ interpretation of the “not-for-profit” principle changes, we may not be allowed to operate the on-campus canteens in a manner that the canteens are currently being operated or at all. Furthermore, we have placed a considerable amount of retained earnings into the non-distributable reserve (namely RMB182.5 million as of 31 August 2016) and our ability to distribute or deploy the funds in the reserve for purposes other than the aforementioned will be limited. Please refer to the Accountants’ Report set out in Appendix I to this prospectus for further details in relation to the balance of the non-distributable reserve. As a result, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We used personal bank accounts for the settlement of corporate funds, which may subject us to penalties.

During the Track Record Period, we used nine personal bank accounts to facilitate certain operations of Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Panjin Guangzheng Preparatory School. Seven of the personal bank accounts we used were registered under the name of Ms. Li, our chief executive officer, executive Director and Controlling Shareholder, one was registered under the name of Mr. Liu, chairman of the Board, executive Director and Controlling Shareholder and one was registered under the name of Mr. He Shan, our senior management and executive vice principal of Panjin Guangzheng Preparatory School. Our PRC Legal Adviser has advised us that the use of the personal bank accounts for the settlement of corporate funds was not in compliance with the relevant PRC laws and regulations and that we may be subject to penalties, including confiscation of any illegal income, a fine of one to five times of the illegal income if the illegal income amounts to RMB50,000 or more, or a fine ranging between RMB50,000 to RMB500,000 if the illegal income is less than RMB50,000. Our Directors confirmed that our prior use of the Arrangements and the parties concerned did not involve any illegal income. As of 1 June 2016, we had ceased the use of all personal bank accounts for the settlement of corporate funds. Please refer to “Business – Settlement through Personal Bank Accounts” for further details. As of the Latest Practicable Date, no fine or other penalties had been imposed by the relevant government authorities with respect to our prior use of the personal bank accounts to settle corporate funds. However, we cannot assure you that we will not be subject to fines or other penalties due to our prior use of the personal bank accounts for the settlement of corporate funds, which may materially and adversely affect our business, financial condition and results of operations.

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

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

We may fail to manage our growth effectively.

We have experienced steady growth in the number of students, which has placed significant pressure on our management and resources. As of 1 September 2013, 2014, 2015 and 2016, the total number of students enrolled in our schools was approximately 19,354, 22,837, 27,644 and 31,788, respectively. We expect the student enrolment in all of our schools to continue to increase. We also plan to expand our operations by establishing new schools in China and overseas. The increase in student enrolment and our expansion plan may result in substantially higher demands for resources

RISK FACTORS

such as teachers, staff and facilities, make it more difficult for us to maintain the teaching quality and learning environments of our schools and require our management to devote significantly more time and resources to manage our operations. To support our growth, we may also need to incur significant expenditures for, among other things, management and staff recruitment, facilities maintenance and expansion and the construction and operation of new schools. If we fail to manage our growth and expansion effectively, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully execute our growth strategies.

Our growth strategies include increasing student enrolment in our existing schools, establishing more schools in the Pearl River Delta economic zone in Guangdong province, expanding our school network to the other major economic zones and other regions in China, and the development of new schools overseas. We intend to expand our school network through constructing new schools by ourselves, partnering with local schools or other third parties, or acquiring existing schools. Please refer to “Business – Development of New Schools” of this prospectus for further details about our new school development plans. We may not succeed in executing our growth strategies due to a number of factors, including the following:

- we may not be able to admit all qualified students who would like to enrol in our schools due to the capacity constraints of our school facilities;
- we may fail to identify cities with sufficient growth potential in which to establish new schools;
- we may fail to effectively execute our expansion plans as contemplated;
- we may fail to acquire or lease suitable land sites in the cities to which we plan to expand our operations;
- we may lose government support or fail to partner with local governments in cities where we already have schools or in cities to which we plan to expand our operation;
- we may fail to effectively market our schools or brand in new markets or promote ourselves in existing markets;
- we may not be able to replicate our successful growth model in new markets;
- we may not be able to effectively integrate any future acquisitions into our education system;
- we may fail to obtain the requisite licences and permits from the authorities necessary to open new schools at our desired locations;
- we may not be able to continue to enhance our course materials or adapt our course materials to changing student needs and teaching methods;
- we may fail to follow the expected timetable with respect to the development of new schools; and
- we may fail to achieve the benefits we expect from our expansion.

RISK FACTORS

In particular, as part of our growth strategies and our efforts to meet the Qualification Requirement, we entered into a memorandum of understanding with Dewey College in February 2016 with respect to the parties' potential cooperation in setting up a private school in Ontario, Canada. As at the Latest Practicable Date, we had established a subsidiary in Canada, which is a joint venture company with Dewey International Holdings Limited for the potential investment and development of a new school in Canada. Please refer to "Business – Development of New Schools" for further details. However, in addition to the various factors mentioned above, we have not established or operated any schools outside of China before and may lack the relevant experience or expertise for implementing our business plan for the development of a new school in Canada and for providing the other proposed educational services. If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and our business, financial condition and results of operations may be materially and adversely affected.

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

We intend to continue to expand our school network by establishing new schools in China and overseas. Our new school in Weifang, Shandong province commenced operations in September 2016. We have also entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing. In addition, we intend to engage in discussions with the local government authorities of various cities in Guangdong, Shandong and Sichuan provinces to explore the possibility of establishing a new school in each city, but had not entered into any agreement with the local government authorities. Furthermore, we plan to cooperate with Dewey College in establishing a new school in Canada. Please refer to "Business – Development of New Schools" for further details about the development of our new schools. Successful establishment of a new school depends on various factors, including obtaining financing, completing the construction of school campus and buildings, receiving government approvals, licences and permits, recruitment of qualified teachers and staff and recruitment of students, many of which are out of our control. We may be unable to establish new schools according to our proposed timeline or at all if we encounter difficulties with any of the factors affecting the establishment of a new school and our business, financial condition and results of operations may be materially and adversely affected.

We may expand our school network through acquisition and may not be able to successfully integrate businesses that we acquire.

We may expand our school network through acquisition of additional schools. We have limited experience in acquiring schools and believe we face challenges in integrating business operations and management philosophies of acquired schools. The benefits of our future acquisitions depend in significant part on our ability to effectively and timely integrate management, operations, technology and personnel. The integration of acquired schools is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt our business and operations and reputation. The main challenges involved in integrating acquired entities include the following:

- ability to find suitable targets;
- retaining qualified teaching staff of any acquired school;
- consolidating educational services and implementing our educational philosophy and curriculum;
- integrating information technology platforms and administrative infrastructure;

RISK FACTORS

- ensuring and demonstrating to our students and their parents that the new acquisitions will not result in any adverse changes to our established brand image, reputation, service quality or standards; and
- minimizing the diversion of our management's attention from on-going business concerns.

We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all, and we may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe, we anticipated. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may be affected by changes in our target customer group's preferences towards primary, middle and high school education.

We have designed our educational programmes, engaged teachers and staff and constructed our school facilities primarily to serve the demands for high-quality primary, middle and high school education by our target customer group, which is primarily the rapidly growing middle class in densely populated and economically developed cities in the PRC. As of 1 September 2016, 31,441 students enrolled in our PRC curriculum programmes. For the years ended 31 August 2014, 2015 and 2016, we derived almost all of our revenue from our PRC curriculum programmes. We believe the demands for private primary, middle and high school education by our target customer group will continue to grow and expect the revenue from our PRC curriculum programmes to continue to be the primary source of our revenue. However, our target customer group's preferences for educational services may change. They may become less interested in PRC curriculum programmes and be more attracted to international programmes, international schools or other educational programmes such as vocational secondary education. As of the Latest Practicable Date, we did not operate international schools or offer vocational secondary education. We offer international programmes at two of our schools, which are limited in size. As of 1 September 2016, 347 students enrolled in our international programmes. If our target customer group's interest in PRC curriculum programmes decreases, student enrolment in our schools' PRC curriculum programmes may substantially decrease and we may need to lower our tuition fees to attract more students. In addition, our effort to enlarge our international programmes or to establish new international schools to adapt to the changes in the educational preferences of our target customer group may not succeed and we may have to incur significant expenses. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our cooperation with an Independent Third Party for the international programmes at our Dongguan Guangming School and our proposed cooperation with other Independent Third Parties may fail.

The international programmes at our Dongguan Guangming School were established through cooperation agreements between Dongguan Guangming School and an Independent Third Party. As of 1 September 2015, 85 students enrolled in the international programmes at Dongguan Guangming School. We may cooperate with other Independent Third Parties for the provision of international programmes or other educational services at our schools, or for the expansion of our school network in the PRC and overseas. For example, we entered into a memorandum of understanding on 10 February 2016 with Dewey College, an independent high school subject to inspection by the Ontario Ministry of Education, Canada, with respect to the parties' proposed cooperation in setting up a private school in Ontario, Canada, providing secondary and pre-university education, as well as other proposed cooperation in international education. As at the Latest Practicable Date, we had established a subsidiary in Canada, which is a joint venture company with Dewey International Holdings Limited for the potential development of the new school in Canada.

RISK FACTORS

If our cooperation agreements with the Independent Third Parties are terminated prior to their expiration date or are not renewed upon expiration, or we determine that the Independent Third Parties have become unsuitable to continue to be our cooperation partners, we may not be able to find appropriate alternatives in time or at all to continue our cooperation programmes or projects. In addition, in the event that we are unable to find appropriate cooperation partners or if our cooperation partners are unable to deliver the services we expect, we may be unable to successfully implement our business strategies. We have limited experience in cooperating with Independent Third Parties in offering international programmes or other educational services, or in establishing schools in overseas, and may fail to select the most appropriate cooperation partners or may be unsuccessful in cooperating with our partners.

Furthermore, we may not be able to fully control the quality of the educational services, such as the quality of teachers, course contents and teaching approaches, delivered by the Independent Third Parties. If students and parents complain about the educational quality of such cooperation programmes or schools, it may negatively affect our reputation and our ability to attract and retain students in our schools. Negative publicity involving the Independent Third Parties we cooperate with, whether relevant or irrelevant to our cooperation with such Independent Third Parties, may also negatively affect our reputation and deter prospective students from enrolling in our schools. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

For campuses and school facilities constructed and developed for our schools, we must obtain various permits, certificates and other approvals from the relevant authorities at various stages of property development, including the land use right certificates, planning permits, construction permits, certificates for passing environmental assessments, certificates for passing fire control assessments, certificates for passing construction completion inspections and building ownership certificates.

As of the Latest Practicable Date, we had not fully obtained all the requisite permits, certificates and approvals for the construction and development of our schools. As of 31 December 2016, we owned the land use rights for 17 parcels of land with a total gross site area of approximately 728,124.2 sq.m. and owned 49 buildings and eight units with an aggregate gross floor area of approximately 535,914.7 sq.m. in the PRC. As of the Latest Practicable Date, we had not obtained the land use right certificates for seven parcels of land with a gross site area of approximately 24,192.0 sq.m., the building ownership certificates for 32 buildings with a gross floor area of 330,794.5 sq.m. and certain other requisite certificates or permits for the buildings for which we had not obtained the ownership certificates, including planning permits, construction permits, certificates for passing construction completion inspections, certificates for passing environmental assessments and certificates for passing fire control assessments. Please refer to “Business – Properties” and “Business – Legal Proceedings and Compliance” for further details. As a result, our rights to these parcels of land and buildings may be limited or challenged by the relevant government authorities or other third parties. We may also be subject to administrative fines or other penalties due to the lack of the requisite permits, certificates and approvals, which may materially and adversely affect our business operations, divert management attention and other resources and incur significant costs. In particular,

- for the properties that we have put into use without obtaining the land use right certificates, our rights to the land may be challenged by third parties;
- for the properties that we have put into use without obtaining the certificates for passing environmental assessments, we may be subject to a fine no more than RMB50,000 and/or temporary suspension of the usage of the relevant properties before the incident is rectified;

RISK FACTORS

- for the properties that we have put into use without obtaining the certificates for passing fire control assessments, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or temporary suspension of the usage of the relevant properties before the incident is rectified;
- for the properties that we have put into use without obtaining the certificates for passing construction completion inspections, we may be subject to a fine ranging between 2% to 4% of the total price of the construction contract of the affected premises and/or temporary suspension of the usage of the affected premises before the incident is rectified; and
- for the properties that we have put into use or construction activities without obtaining the planning and construction certificates, we may be required to demolish the relevant buildings, be subject to fines of up to 10% and 2% of the construction costs of the buildings, respectively, or be subject temporary suspension of the usage of the buildings before we obtain the relevant certificates.

In the event that if we lose the rights to any of our land or buildings, our uses of such land or buildings may be limited, or we may be forced to relocate and incur additional costs, which may result in disruptions to our school operations and materially and adversely affect our business, financial condition and results of operations. In addition, we may in the future encounter problems in obtaining the relevant permits, certificates and approvals for the construction and development of our new schools, which may negatively affect our growth strategies. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our right to certain leased properties could be challenged by property owners or other third parties and we may be unable to find suitable alternative premises if our leases are terminated.

As of 31 December 2016, we leased one parcel of land and 17 buildings and units from Independent Third Parties for the operations of our schools. As of the Latest Practicable Date, the lessors of one parcel of land used by our Dongguan Guangming School with a total gross site area of approximately 2,398 sq.m., the lessors of 12 buildings used by our Dongguan Guangming School as student dormitories and staff apartments with a gross floor area of 63,008.2 sq.m., the lessors of two buildings used by our Dongguan Guangzheng Preparatory School as staff apartments with a gross floor area of approximately 10,902 sq.m., and the lessor of one unit used by our Yunfu Guangzheng Preparatory School as its registered address with a gross floor area of 104.5 sq.m. had been unable to provide us with valid title documents to the respective properties. Please refer to “Business – Properties” of this prospectus for further details. As a result, the lessors may not have the right to lease the relevant properties to us and our leases may be challenged by actual property owners who may file claims against us, require us to relocate, or demand substantially higher rental for the properties. As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any third party with respect to possible defects in our leased properties. If any of our leases were terminated as a result of challenges by third parties to the lessors’ rights, we may be forced to relocate and incur additional costs, which may result in disruptions to our school operations and materially and adversely affect our business, financial condition and results of operations.

In addition, we have not registered any of our lease agreements with relevant government authorities. Under relevant PRC laws and regulations, an executed lease must be registered and filed with the relevant government authority. According to our PRC Legal Adviser, although the lack of registration will not affect the validity and enforceability of the lease agreements, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties to an unregistered lease.

RISK FACTORS

Furthermore, if any of our landlords terminates the existing lease agreements, refuses to continue to lease the premises to our schools when such lease agreements expire, or increase rent to the level not acceptable to us, we may be forced to relocate our student dormitories or apartments for our teachers and staff. We may not be able to find suitable premises for such relocation without incurring significant time and costs, or at all. If this occurs, our business, results of operations and financial condition could be materially and adversely affected.

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

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties are based on various assumptions, which are subjective and uncertain in nature. The assumptions that DTZ Cushman & Wakefield Limited used in the property valuation report include: (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 DTZ Cushman & Wakefield Limited in reaching the appraised value of our properties may be inaccurate. Hence, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. You should not place undue reliance on such appraised value attributable to these properties by DTZ Cushman & Wakefield Limited.

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

The educational facilities of our schools are limited in space and size. We may not be able to admit all qualified students who would like to enrol in our schools due to the capacity constraints of our current school facilities. For example, the utilization rate, being the number of students enrolled at a school divided by the school's existing capacity for students, of our Dongguan Guangming School was 99.5%, 99.5%, 98.9% and 97.8% as of 1 September 2013, 2014, 2015 and 2016. In addition, we may not be able to expand our capacity at our current campuses unless we relocate to other facilities in the local area with more space. If we fail to expand our capacity as quickly as the demand for our services grows, or if we otherwise fail to grow by establishing or acquiring additional schools and campuses, we could lose potential students to our competitors, and our business, financial condition and results of operations may be materially and adversely affected.

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

Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the price of our Shares to decline. Our revenue, expenses and operating results may vary from year to year in response to a variety of factors beyond our control, including:

- our ability to increase student enrolment in our schools and raise tuitions fees;
- general economic conditions and regulations or government actions pertaining to the provision of private educational services in China;
- shifts in consumer attitude toward private primary, middle and high school education in China;
- our ability to control cost of revenue, in particular staff costs relating to teacher salaries and allowances and other costs; and

RISK FACTORS

- non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or unexpected circumstances.

Further, we conditionally adopted the Pre-IPO Share Option Scheme on 3 January 2017, and we expect to recognise a material amount of expense in connection with the grant of share options under the Pre-IPO Share Option Scheme, which we anticipate will have a negative impact on the Group's results of operations and financial condition for the financial year ending 31 August 2017. Due to these factors, we believe that year-to-year comparisons of our operating results may not be indicative of our future performance and you should not rely on them to predict the future performance of our Shares. Please refer to "Financial Information" of this prospectus for further details.

Our financial statements during the Track Record Period may have been affected.

During the Track Record Period, we made advances to Cinese Group and other related parties. These advances were non-trade in nature and non-interest bearing. For each reporting period during the Track Record Period, we recognised imputed interest income on certain portion of such advances under IFRS. However, such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period. The aggregate carrying amounts of our advances to Cinese Group and other related parties on which we recognised imputed interest income were RMB1,165.4 million, RMB1,163.0 million and RMB212.2 million as of 31 August 2014, 2015 and 2016, respectively. Our imputed interest income was RMB42.2 million, RMB112.4 million and RMB64.0 million for the years ended 31 August 2014, 2015 and 2016, respectively. During the Track Record Period, we primarily funded these advances to Cinese Group and other related parties through interest-bearing bank borrowings and a substantial portion of our bank borrowings during the Track Record Period related to such advances. As a result, a substantial portion of our interest expenses on bank and other borrowings during the Track Record Period related to advances on which we recognised imputed interest income. Our bank and other borrowings were RMB1,270.0 million, RMB1,275.5 million and RMB607.7 million as of 31 August 2014, 2015 and 2016, respectively. Our interest expenses on bank and other borrowings were RMB79.0 million, RMB109.9 million and RMB80.0 million for the years ended 31 August 2014, 2015 and 2016, respectively. In addition, we had amounts due to related parties that are non-trade in nature, unsecured, non-interest bearing and repayable on demand, which amounted to RMB333.3 million, RMB426.9 million and RMB327.2 million, respectively, as of 31 August 2014, 2015 and 2016. As at the Latest Practicable Date, all the amounts due to and from related parties (including our advances to Cinese Group and other related parties) which were non-trade in nature had been fully settled. As a result, we do not expect to continue to recognise imputed interest income on advances to related parties following the Listing. Because we will no longer be funding such advances through bank borrowings, we also expect a corresponding reduction in interest expenses on bank borrowings following Listing. Please refer to "Financial Information – Imputed Interest Income and Related Interest Expenses" for further details. As a result, our financial statements during the Track Record Period may have been affected.

We recorded net current liabilities as of 31 August 2014, 2015 and 2016 and 30 November 2016 and may record net current liabilities in the future.

As of 31 August 2014, 2015 and 2016 and 30 November 2016, we recorded net current liabilities of RMB683.2 million, RMB14.6 million, RMB457.6 million and RMB467.1 million, respectively. We recorded net current liabilities as of 31 August 2014, 2015 and 2016 and 30 November 2016 primarily because of (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Cinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of our schools; (ii) other payables and accrued expenses, which primarily consist of accruals for construction in connection with the maintenance and improvement of our school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of our short-term bank borrowings. For additional information on our net current liabilities position, please refer to "Financial Information – Current Assets and Current Liabilities" of this prospectus. While all the amounts due to and from related parties which were non-trade in nature had been fully

RISK FACTORS

settled as at the Latest Practicable Date, we may continue to have net current liabilities in the future as our business expands. We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital.

Accidents or injuries suffered by our students, employees or other people at our schools may adversely affect our reputation and subject us to liability.

There are inherent risks of accidents or injuries in schools. We could be held liable in the event of personal injuries, disease, fires or other accidents suffered by students, employees or other people that occur at our schools. Although we designate certain staff members in each of our campuses to be in charge of student health and security, in the event of personal injuries, disease, food poisoning, fires or other accidents suffered by our students, employees or other people on our campuses, we may face claims for damages and our schools may be perceived unsafe by prospective parents and students. In 2014, a student fell from his dormitory building in Dongguan Guangming School. The school immediately called an ambulance to send him to the hospital, but the student died despite emergency treatment at the hospital. In November 2015, the court ruled that our school was not at fault in the management, education and security protection of students and that the school should pay the plaintiffs RMB100,000 in compensation. The court dismissed all other claims of the plaintiffs and the plaintiffs appealed. In the appeal, the court upheld the ruling in November 2015, which constitutes the final and binding decision on the legal proceedings, and ruled that our school was not at fault in the incident and was under no liability to compensate the plaintiffs save for the aforesaid compensation. Please refer to “Business – Legal Proceedings and Compliance” for further details. In 2013, a student collapsed during a physical education course in Dongguan Guangming School. The school immediately called an ambulance to send him to the hospital, but the student died despite emergency treatments at the hospital. The court ruled that the school had no fault as to the incident but ordered us to pay damages in the amount of RMB150,000 to the student’s family since (i) the incident took place during an activity organized by the school and therefore there was a connection between the incident and the school and (ii) the death of the student caused significant harm to his family and considering the fairness principle, the school shall share the civil responsibilities with the student’s family. We cannot assure you that similar incidents will not happen in the future. Claims against us arising from injuries incurred or claimed to have incurred on our campuses may adversely affect our reputation, subject us to significant amounts of damages, divert management attention and other resources or increase our insurance costs. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

We may, from time to time, be involved in disputes with and subject to claims by parents and students, teachers and other school personnel, our suppliers, construction companies, third-party sub-contractors and other parties involved in our business. For instance, in March 2015, an individual, who is an Independent Third Party, initiated court proceedings against us in relation to the advances he made on behalf of our Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5.0 million and related interest. As of the Latest Practicable Date, the outcome of this legal proceeding had yet to be finalized. In April 2015, parents of a student initiated court proceedings against us seeking over RMB780,000 in damages in relation to the death of the student who fell from his dormitory building in Dongguan Guangming School in 2014. In November 2015, the court ruled that the student should take full responsibility for the consequences of the incident, that our school was not at fault in the management, education and security protection of students and that the school should pay the plaintiffs RMB100,000 in compensation as (i) the student was enrolled at our school and the incident took place at an on-campus student dormitory and (ii) the school is an educational institution and benefited from its educational activities. The court dismissed all other claims of the plaintiffs and the plaintiffs appealed. In the appeal, the court upheld the ruling in November 2015, which constitutes the final and binding decision on the legal

RISK FACTORS

proceedings, and ruled that our school was not at fault in the incident and was under no liability to compensate the plaintiffs save for the aforesaid compensation. Please refer to “Business – Legal Proceedings and Compliance” of this prospectus for further details about the legal or other proceedings we are involved in. Legal or other proceedings involving us may, among others, incur significant costs, divert management’s attention and other resources, negatively affect our business operations, cause negative publicity against us or damage our reputation. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may lose the services of our executive Directors, senior management and other key personnel.

Our future success depends heavily upon the continuing services of our executive Directors and senior management team and in particular, our co-founders, Mr. Liu and Ms. Li, who have been our leaders since our inception. If one or more of our executive Directors, senior management or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for experienced executive Directors or management personnel in the private education sector is intense, the pool of qualified candidates is very limited and we may not be able to retain the services of our executive Directors or senior management or key personnel, or attract and retain high-quality executive Directors or senior executives or key personnel in the future. In addition, if any member of our executive Directors or senior management team or any other key personnel joins a competitor or forms a competing company, we may lose teachers, students and staff members. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Each of our executive officers and key employees has entered into an employment contract and certain executive officers and/or key employees have entered into confidentiality agreements with us. The employment contracts and confidentiality agreements are governed by PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions such as Hong Kong and uncertainties in the PRC legal system could limit our ability to enforce these agreements. For example, prior court decisions may be cited for reference but have limited precedential value in the PRC and the PRC arbitration tribunals and courts have significant discretion in interpreting, implementing or enforcing relevant PRC laws. It is thus difficult to predict the outcome of any arbitration awards or court proceedings or gauge the level of legal protection that such awards or proceedings may provide. Accordingly, if any disputes arise between any of our senior executives or key personnel and us, it may be difficult to enforce these agreements against these individuals. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not make full contributions to the social insurance plans and the housing provident fund for our employees as required according to the relevant PRC laws and regulations. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim from our current and former employees regarding our non-compliance in this regard. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not make during the Track Record Period was RMB13.9 million, RMB16.5 million and RMB16.3 million, respectively, with respect to social insurance payments, and RMB6.1 million, RMB4.7 million and RMB3.2 million, respectively, with respect to housing provident fund contributions. Please refer to “Business – Legal Proceedings and

RISK FACTORS

Compliance” of this prospectus for further details. Based on the interviews we conducted with and the written confirmations issued by the competent local human resources and social security bureaus and housing provident fund management centres in the cities where our schools are located, our PRC Legal Adviser has advised that, the possibility that any of the competent government authorities will initiate a request for payment or a penalty proceeding on its own solely based on the fact that we made partial social insurance payments and housing provident fund contributions is relatively remote. However, 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.

The tax provision we made may not be sufficient to cover the PRC taxes and/or penalties that the PRC tax authorities may require us to pay.

In preparation of the Global Offering, we identified that the tax filings of certain members of our Group were not complete and that certain past filings of those entities were not accurate, due to (i) ambiguities in the relevant PRC tax laws and regulations with respect to (a) private schools, school sponsors of which require reasonable returns; (b) the treatment of earnings generated from on-campus canteens; and (ii) our observation that, based on publicly available information, none of the schools operated by other PRC-based education companies listed on the Stock Exchange paid any EIT in the PRC. For details of the historical reasons and developments with respect to such incompleteness and inaccuracies in the historical tax filings of certain members of our Group, please see “Financial Information – Key Components of Our Results of Operations – Taxation” of this prospectus.

We first became aware of the possible historical shortfall relating to the PRC EIT, business tax and VAT in the beginning of 2016 during the communications with our Reporting Accountants, which were engaged to conduct audit field work for us in connection with the preparation for the Global Offering. We then sought to gain a better understanding of the relevant tax regulations and practices, as well as such ambiguities, and engaged a tax consultant in April 2015 and in February 2016 to review our tax filings, with an aim to rectify and discharge any outstanding tax obligations. According to the tax consultant, we underpaid certain PRC taxes during the Track Record Period, including EIT, business tax and VAT. Based on the tax consultant’s advice, we have made tax provisions, including provisions for the historical shortfall of EIT, for the three financial years ended 31 August 2015 and the nine months ended 31 May 2016, in the amount of RMB88.2 million. In July and August 2016, our relevant PRC entities made re-filings with the relevant tax authorities and obtained tax clearance letters with respect to EIT, business tax and VAT payable for the calendar years 2013, 2014 and 2015. As of the Latest Practicable Date, such PRC entities had already paid the tax for the initial EIT filings of RMB12.5 million and tax shortfall for EIT of RMB29.8 million and VAT of RMB2.5 million for the aforesaid re-filings for the calendar years 2013, 2014 and 2015, and had also paid the late surcharge in the total amount of RMB4.8 million to the relevant tax authorities. Among the payment of tax shortfall for EIT of RMB29.8 million set out above, RMB6.5 million, RMB4.9 million and RMB18.4 million was paid in respect of calendar years 2013, 2014 and 2015, respectively. All of the payment of tax shortfall for VAT of RMB2.5 million set out above was paid in respect of the calendar year 2015. For the years ended 31 December 2014, 2015 and 2016, (i) our net profit before taxation amounted to RMB112.2 million, RMB212.3 million and RMB194.5 million, respectively; and (ii) our net profit after taxation amounted to RMB90.9 million, RMB182.3 million and RMB154.4 million, respectively.

We cannot assure you that the relevant tax authorities would not require us to pay any historical outstanding tax or otherwise any additional amount within a prescribed period and/or impose late payment surcharge, fines and/or other penalties on us in respect of any calendar years, the total amount of which may exceed our provision. Our PRC Legal Adviser has advised that, for failure to fully pay PRC taxes, the relevant tax authorities may impose late payment surcharge and fines ranging between 50% to five times of the tax in arrears, and may also require the payment of the outstanding amount within a prescribed period. While our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for, among other things, any historical outstanding tax, additional amount, late payment surcharge, fines and other penalties in relation to

RISK FACTORS

tax that may be imposed on us, there is no assurance that this would be able to indemnify us against all losses and liabilities in connection therewith effectively. If we were required to pay any historical outstanding tax, additional amounts, late payment surcharge, fines and/or were subject to any other penalties, it could affect our cash flow and operation and our business, financial condition and results of operations may be materially and adversely affected.

We have limited insurance coverage.

We maintain various insurance policies to safeguard against certain risks and unexpected events, such as school liability insurance, student personal accident insurance and property insurance for vehicles. However, our insurance may not be sufficient in terms of amounts and scope. If we were held liable for amounts and claims exceeding the scope or amounts covered by our insurance policies, or suffered losses from incidents for which we do not currently maintain any insurance, we may be required to pay significant damages or suffer significant loss without being able to recover all or part of the amounts from insurance companies, and our business, results of operations and financial condition may be materially and adversely affected. In addition, we do not have any business disruption insurances to cover losses caused by natural disasters or catastrophic events, which may significantly disrupt our business operations and incur substantial costs on us, and may materially and adversely affect our business, financial condition and results of operations.

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

All our schools are private Monday-to-Friday boarding schools. As of 1 September 2016, 31,788 students lived in the student dormitories at our schools. We also provide on-campus or nearby off-site accommodation to our teachers and staff. The boarding and accommodation arrangements make our students, teachers and staff vulnerable to outbreaks of health epidemics such as the H1N1 flu virus, avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, natural disasters, such as earthquakes, floods, landslides, as well as terrorist attacks, other acts of violence or war or social instability, especially when such health epidemics, natural disasters or terrorist attacks take place in our schools or in or near the regions where our schools are located. In 2009, a student enrolled in our Dongguan Guangming Primary School fell sick while staying at home during a weekend and died despite hospital treatments. The student was later tested positive for H1N1 flu virus. The school took immediate preventative measures such as school closure and thorough cleaning and there was no outbreak of the H1N1 flu in the school. However, in the future, we may be unable to take effective measures to protect our students, teachers and staff in case of health epidemics, natural disasters or terrorist attacks. In addition, the general economic conditions may be negatively affected by the actual or perceived occurrence of health epidemics, natural disasters or terrorist attacks, which may result in significant decreases in the number of students enrolled in our schools. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may be negatively affected by the oil pumping machines located next to our Panjin Guangzheng Preparatory School.

There are several oil pumping machines next to the campus of our Panjin Guangzheng Preparatory School, which are owned and managed by Independent Third Parties. The operation of oil pumping machines or the oil pumping activities are subject to significant inherent hazards and risks, which may have material negative impacts on the school operations, students and staff of our Panjin Guangzheng Preparatory School, including incurring environmental pollution, fire, mechanical injuries and electronic injuries. We have no control over whether the Independent Third Parties has undertaken appropriate and adequate safety measures over the oil pumping machines or the oil pumping activities. Even if safety measures were undertaken, accidents may occur. Given the proximity of the oil pumping machines to our school, in the event of massive accidents such as environmental pollution and fire, we may be forced to cease the operations of Panjin Guangzheng Preparatory School, our campus and school buildings may be damaged and the health and safety of all students and staff of the school may be significantly affected; in the event of individual accidents

RISK FACTORS

such as personal injuries, our school may be subject to legal disputes and damages and our reputation may be materially and negatively affected. In addition, we may have to incur significant costs to take preventative or remedial measures to protect the health and safety of our students, teachers, staff and other people in our Panjin Guangzheng Preparatory School. Our preventative or remedial measures may not be sufficient and effective in the events of accidents or natural disasters, and personal injuries, wrongful deaths or other damages may occur, which may subject us to significant amount of damages, negatively affect our reputation and deter prospective students from enrolling in our schools. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our brand and reputation may be negatively affected if we fail to adequately protect our intellectual property rights.

Our trademarks, trade name and other intellectual property rights are important to the promotion of our brand. We have spent more than a decade building our brand by emphasising quality education and the well-rounded development in our students. Unauthorised use of our trademarks, trade name or other intellectual property rights may damage our reputation and brand. The measures we take to protect our trademarks and other intellectual property rights may not be adequate. For instance, the trademark currently used by our Dongguan Guangming School and Dongguan Guangming Primary School was not registered. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving and, as such, enforcement of intellectual property rights in China is relatively difficult. However, we cannot assure you that we will be able to complete the trademark registration. If we are unable to adequately protect our trademarks and other intellectual property rights, we may not be able to benefit from these rights, our brand name and reputation may be damaged. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Unauthorised disclosure or manipulation of sensitive information relating to our students and teachers may expose us to litigation and damages or may adversely affect the reputation of our schools.

We possess sensitive and private information about our students and teachers, such as names, addresses, contact numbers, ID numbers and exam scores of our students. We store these sensitive data primarily in computers located in our school offices. If such data was obtained, disclosed or manipulated by unauthorised third parties through security breaches to our computers or network, or was negligently misappropriated or disclosed by our staff, we may be sued and held liable for damages, which may incur significant costs, negatively affect our reputation and divert management attention and other resources. As a result, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilisation 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.

RISK FACTORS

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

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

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

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

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

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to change. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government authorities, and their implementation, interpretation and enforcement may involve uncertainties 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. For instance, MOFCOM published the Draft Foreign Investment Law on 19 January 2015, which proposes significant changes to the PRC foreign investment legal regime and may have a significant impact on our business. Please refer to “– Our business may be significantly affected by the Draft Foreign Investment Law, if implemented as proposed” above for further details. As a result, there is substantial uncertainty as to the legal protection available to our Shareholders and us. 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 China. Our operations in the PRC are subject to PRC regulations governing PRC companies and schools. These regulations contain provisions that are required to be included in the articles of association of PRC companies

RISK FACTORS

and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish 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.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the prospectus based on Hong Kong or other foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a substantial number of our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. As a result, it may be difficult for our Shareholders to effect service of process upon us or those persons inside mainland China. In addition, our PRC Legal Adviser has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Please refer to "Appendix IV – Summary of the Constitution of our Company and Cayman Companies Law" of this prospectus for further details of the relevant laws of the Cayman Islands.

On 14 July 2006, Hong Kong and the PRC entered into 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 (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong 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 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 the 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 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 is not 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. Although the Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

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

In utilising the proceeds of this offering in the manner described in "Future Plans and Use of Proceeds" of this prospectus as an offshore holding company, we may extend loans to our PRC subsidiaries and our Consolidated Affiliated Entities, establish new subsidiaries, make additional capital contributions to our PRC subsidiaries or acquire, in offshore transactions, offshore entities with business operations inside China. Any loans to our PRC subsidiaries or our Consolidated Affiliated Entities are subject to PRC regulations and approvals. For example:

- loans we extend to Dongguan Ruixing, our wholly-owned subsidiary in China, or another PRC subsidiary, cannot exceed statutory limits and must be registered with the SAFE or its local counterparts;

RISK FACTORS

- loans we extend to our Consolidated Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and
- capital contribution to our Consolidated Affiliated Entities must be approved by MOE and Ministry of Civil Affairs or their respective local counterparts.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“Circular 19”). 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. For further details of Circular 19, please refer to “Regulations” of this prospectus. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of Dongguan Ruixing or another PRC subsidiary. Circular 19 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to Dongguan Ruixing or another PRC subsidiary or invest in or acquire any other companies in the PRC.

In addition, any capital contributions to Dongguan Ruixing or another PRC subsidiary or to any new subsidiaries that we may establish in the future must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

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

RISK FACTORS

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

Under the EIT Law and its implementing regulations, an enterprise established outside China with its “de facto management body” within China is considered a “resident enterprise” in China and will be subject to the PRC EIT at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organisational body that effectively manages the enterprise’s production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The EIT Law’s implementation regulations define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the “**SAT Circular 82**”) on 22 April 2009. SAT Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its de factor management body inside China. One of the criteria is that a company’s major assets, accounting books and minutes and files of its board and shareholders’ meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on 27 July 2011, effective 1 September 2011, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining “de facto management body” for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

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

Under the EIT Law, shareholders of a PRC resident enterprise will be subject to a 10% withholding tax upon dividends received from the PRC resident enterprise and on gain recognised with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% withholding tax upon dividends received from us and on gain recognised with respect to the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and the jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our Shares.

RISK FACTORS

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

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the PBOC. The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 19 June 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. Dollar as of 15 June 2015. On 11 August 2015, the PBOC further enlarged the floating band for trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to 10 August 2015, and further depreciated nearly 1.6% on the next day. On 30 November 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (“SDR”) and decided that effective as of 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

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 subsidiaries and 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. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our subsidiaries and Consolidated Affiliated Entities inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

The preferential tax and other treatments contemplated by us may change or may become unavailable.

As at the Latest Practicable Date, Bright Education HK was in the process of setting up a wholly foreign-owned enterprise in Tibet (the “**Proposed Tibet WFOE**”), which we may designate as the service provider under the Exclusive Management Consultancy and Business Cooperation Agreement for the purpose of the Contractual Arrangements, in replacement of Dongguan Ruixing in the future. We may make such arrangement in view of the preferential tax policies under the Regulations on the Implementation of Enterprise Income Tax Policy of Tibet Autonomous Region (《**西藏自治區企業所得稅政策實施辦法**》) promulgated on 1 May 2014, pursuant to which the Tibet local government has exempted 40% enterprise income tax payable by enterprises in the Tibet Autonomous Region for a period of two years commencing from 1 January 2015 to 31 December 2017. As at the Latest Practicable Date, we were not entitled to any such preferential tax treatments. We cannot assure you that the Proposed Tibet WFOE will be established as contemplated or at all and that even if the Proposed Tibet WFOE has been established, it is entitled to the preferential tax treatments, if any, and will continue to receive such preferential tax treatments.

RISK FACTORS

Moreover, the Decision (which was approved by the Standing Committee of the National People's Congress on 7 November 2016 and will become effective on 1 September 2017) states that additional supportive measures will be provided for private schools. Please see "Risks related to the Decision on Amending the Law for Promoting Private Education in the PRC – There are substantial uncertainties regarding the interpretation and application of the Decision" above for further details and the risks associated therewith. We cannot assure you that the preferential tax and other treatments contemplated by us will not change or that they will apply or continue to apply to our schools after the Decision becomes effective.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

RISK FACTORS

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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

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

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

Immediately following the Global Offering, our Controlling Shareholders, Mr. Liu and Ms. Li, who are co-founders of our Group and parties acting in concert, will control in aggregate 75% of our Shares, assuming the Over-allotment Option is not exercised at all. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and its position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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

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

RISK FACTORS

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

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

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

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

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

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our business operations are located in China. Due to the business requirements of our Group, we expect that we will not have at least two executive Directors to be ordinarily based in Hong Kong after Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have or will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised 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 authorised representatives are Mr. Liu Xuebin, our chairman of the Board and an executive Director, and Mr. Ng Cheuk Him, our executive Director and company secretary. The authorised representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone, facsimile and email by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time;
- (b) each of the authorised representatives has the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice;
- (d) First Shanghai Capital Limited, our compliance adviser, will act as an additional channel of communication with the Stock Exchange; and
- (e) each Director will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange.

CONNECTED TRANSACTIONS

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

GLOBAL OFFERING

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

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

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

The Offer Price is expected to be fixed among the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around 19 January 2017 and, in any event, not later than 24 January 2017 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before 24 January 2017, the Global Offering will not become unconditional and will lapse immediately.

Please refer to “Underwriting” of this prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

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

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in “Structure of the Global Offering” of this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Thursday, 26 January 2017. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 2,000 Shares each. The stock code of the Shares will be 6068.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates:

RMB1.00 to HK\$1.1293 (the exchange rate prevailing on 6 January 2017 published by PBOC)

US\$1.00 to HK\$7.7534 (the exchange rate set forth in the H.10 statistical release of Board of Governors of the Federal Reserve System of U.S. on 30 December 2016)

CAD1.00 to HK\$5.8680 (the exchange rate set forth in the noon exchange rate published by Bank of Canada on 6 January 2017)

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

TRANSLATION

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
LIU Xuebin (劉學斌)	Fuying Building, Chiling Road Hou Jie, Dongguan City, Guangdong The People’s Republic of China	Chinese
LI Suwen (李素文)	1803, Floor 18, Block 2 Wangzu Jiayuan, Dongcheng Road Dongcheng District, Dongguan City The People’s Republic of China	Chinese
LI Jiuchang (李久常)	No. 68, Guangming Road Dongcheng District Dongguan City The People’s Republic of China	Chinese
NG Cheuk Him (吳卓謙)	Flat A, 3/F, Block 18, Cherry Mansions 9 Shung King Street Site 2, Whampoa Garden Hung Hom, Kowloon Hong Kong	Chinese
Independent non-executive Directors		
SUN Kai Lit Cliff (孫啟烈)	Flat A & B, 20/F, Block E Wylie Court, 21 Wylie Path Kowloon, Hong Kong	Chinese
TAM King Ching Kenny (譚競正)	Flat E, 13th Floor, Tower 6 The Belcher’s, 89 Pok Fu Lam Road Hong Kong	Canadian
YAU Sze Ka (游思嘉)	Unit 2, 6/F, Block A Elm Tree Towers 8 Chun Fai Road Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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
(in alphabetical order)**

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

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Citigroup Global Markets Asia Limited
50th Floor, Champion Tower
Three Garden Road
Central, Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited
Units 1803-04
18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

**Joint Bookrunners and Joint Lead Managers
(in alphabetical order)**

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

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50th Floor, Champion Tower
Three Garden Road
Central, Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Warf
London E14 5LB
United Kingdom

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited
Units 1803-04
18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Joint Bookrunners
(in alphabetical order)

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

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

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

Ping An Securities Limited
Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong

Co-manager

Pacific Foundation Securities Limited
11/F, New World Tower Two
16-18 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Company

as to Hong Kong and United States laws:

Ashurst Hong Kong
11/F Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law:

Commerce & Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

as to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

as to Canadian law:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, Ontario, M5H 3S1

Legal Advisers to the Sole Sponsor and Underwriters

as to Hong Kong and United States laws:

Skadden, Arps, Slate, Meagher & Flom and affiliates
42/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
PRC

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway, Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 2802-2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai PRC
Property Valuer	DTZ Cushman & Wakefield Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong
Receiving Banks	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong Wing Lung Bank Limited 6/F, Wing Lung Bank Building 45 Des Voeux Road Central Central, Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head Office and Principal Place of Business in China	No. 68 Guangming Da Dao Dongcheng District Dongguan the PRC
Principal Place of Business in Hong Kong	36/F., Tower Two Times Square 1 Matheson Street Causeway Bay, Hong Kong
Company's Website	www.wisdomeducationintl.com <i>(The information on the website does not form part of this prospectus)</i>
Company Secretary	Ng Cheuk Him CPA Flat A, 3/F, Block 18, Cherry Mansions 9 Shung King Street Site 2, Whampoa Garden Hung Hom, Kowloon Hong Kong
Authorised Representatives	Liu Xuebin Fuying Building, Chiling Road Hou Jie, Dongguan City, Guangdong The People's Republic of China Ng Cheuk Him Flat A, 3/F, Block 18, Cherry Mansions 9 Shung King Street Site 2, Whampoa Garden Hung Hom, Kowloon Hong Kong
Audit Committee	Tam King Ching Kenny (<i>Chairman</i>) Sun Kai Lit Cliff Yau Sze Ka
Remuneration Committee	Sun Kai Lit Cliff (<i>Chairman</i>) Yau Sze Ka Liu Xuebin
Nomination Committee	Yau Sze Ka (<i>Chairman</i>) Tam King Ching Kenny Li Suwen

CORPORATE INFORMATION

Compliance Adviser

First Shanghai Capital Limited

19 Floor, Wing On House
71 Des Voeux Road
Central
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Bankers

Bank of China, Dongguan Branch

No. 72 Guantai Road, Nancheng District
Dongguan City, the PRC

Bank of Dongguan Corporation Limited, Dongcheng Branch

Changchun Court, Jinze Garden
Gangbei Dongcheng Road Central
Dongcheng District
Dongguan City, the PRC

China Construction Bank, Dongguan Branch

No. 5 Tiyu Road
Nancheng District
Dongguan City, the PRC

Dongguan Rural Commercial Bank Co., Ltd., Central Branch

No. 2 Hongfu Dong Road
Dongcheng District
Dongguan City, the PRC

INDUSTRY OVERVIEW

We believe that the sources of the information in this section are appropriate sources for such information, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information from official government and non-official sources has 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 their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct an analysis of the PRC fundamental education market, as well as the private fundamental education market in the PRC and South China. During the preparation of the Frost & Sullivan Report, Frost & Sullivan undertook both primary and secondary researches, and obtained knowledge, statistics, information and industry insights on the industry trends of the PRC fundamental education market, and the private fundamental education market in the PRC and South China. Primary research involved discussing the status of the industry with industry participants and industry experts. Secondary research involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database.

The Frost & Sullivan Report includes estimates of student enrolment and market share information for and the rankings of the top five premium private primary and secondary education groups in South China in 2015/16 school year. According to Frost & Sullivan, there is no publicly available official data with respect to student enrolment or market share for premium private primary and secondary education groups in South China (the markets of which are highly fragmented in nature), and the student enrolment and market share estimates presented in this prospectus have been compiled by Frost & Sullivan by conducting detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts and based on the information in the database of Frost & Sullivan as at July 2016. Frost & Sullivan is also of the view that: (i) there are inherent limitations in the methodology used by Frost & Sullivan, including any information gaps where interviewees have refused to divulge confidential data or figures and incomplete statistics or unconscious omission of industry participants due to latent ownership or highly fragmented characteristics for the market; and (ii) other methodologies may have yielded substantially different outcomes with respect to the identity of the top private primary and secondary education groups and the estimates of their respective student enrolment and market shares contained in the Frost & Sullivan Report, particularly due to the high fragmented nature of the PRC private school industry. Consequently, prospective investors are cautioned not to place undue reliance on the rankings, student enrolment and market share estimates contained in this prospectus. The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period from 2016 to 2020; and (iii) market drivers, such as Chinese families' attention on children's education, the support from PRC central and local governments, improved investments on private education in China and the increase of household income and wealth, are likely to drive the PRC private fundamental education industry.

INDUSTRY OVERVIEW

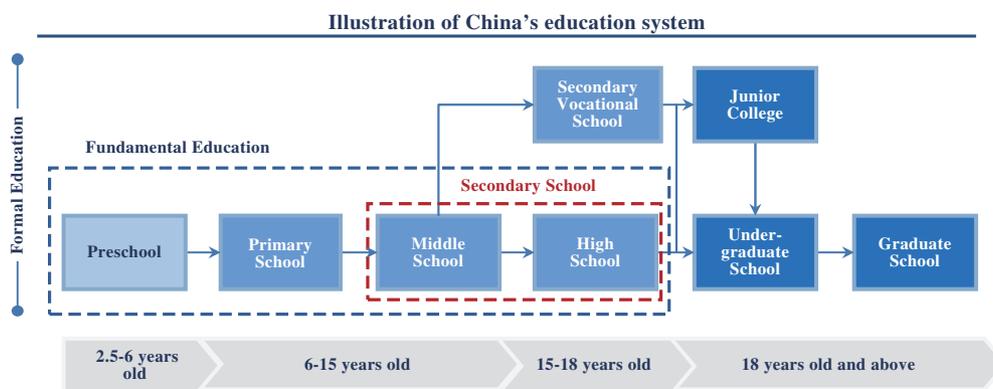
On the basis and subject to the aforesaid, our Directors believe that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of information in this section are appropriate sources for the information and we have taken reasonable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

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB780,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary" "Risk Factors" "Business" "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

OVERVIEW OF THE EDUCATION SYSTEM IN CHINA

Overview

The PRC education system in general can be categorised into formal education and informal education. Formal education in the PRC comprises fundamental education, vocational education and higher education. Further, fundamental education can be divided into three stages: preschool, primary and secondary schools. The following diagram illustrates the composition of the PRC formal education system:



*Note: (1) Within formal education system, the illustration only covers regular formal education, while adult education, which belongs to formal education according to Ministry of Education's classification, is not specifically covered.

(2) Secondary schools in the Frost & Sullivan Report include junior secondary school (middle school) and senior secondary school (high school) and exclude secondary vocational school which are categorized as part of vocational education rather than fundamental education.

Source: Frost & Sullivan Report

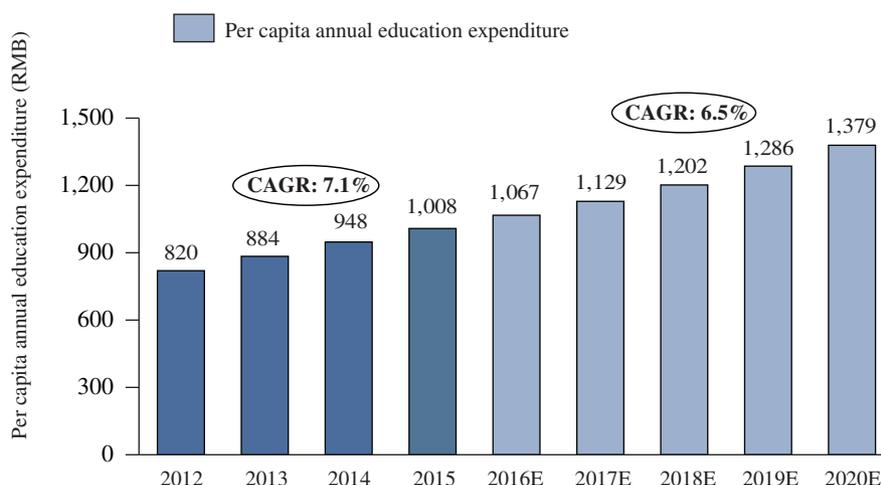
Annual expenditure on education in China

Education is widely recognised as a prioritised and indispensable expenditure for the Chinese community. According to the Frost & Sullivan Report, because of the increasing wealth of Chinese household and general consciousness in children's education, the per capita annual education expenditure of urban households increased from approximately RMB820 in 2012 to RMB1,008 in

INDUSTRY OVERVIEW

2015, representing a CAGR of approximately 7.1%, and this increasing trend is expected to continue from 2015 to 2020. The following diagram sets forth per capita annual education expenditure of urban households in the PRC from 2012 to 2015, as well as a forecast of such figures from 2016 to 2020:

Per capita annual education expenditure of urban households (China), 2012-2020E



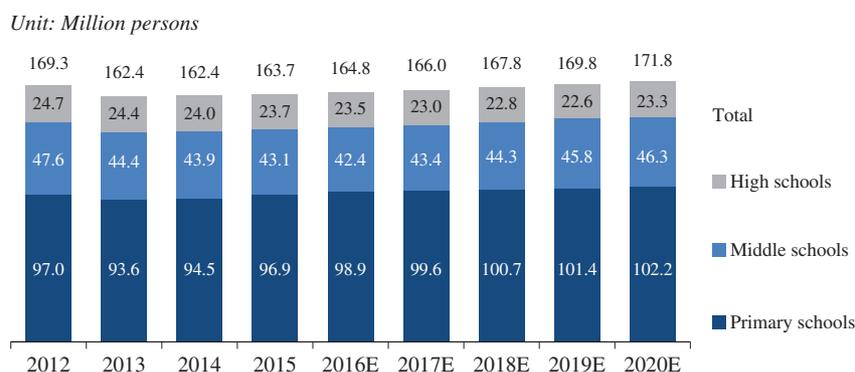
Note: For all years indicated with “E” in this section, the relevant figures for such years are estimated figures according to the Frost & Sullivan Report.

Source: Frost & Sullivan Report

Student enrolment of the overall fundamental education industry in China

From 2015 to 2020, the number of primary school students in China is expected to increase, as the growing population of pre-school students ages and enters primary school. However, the number of middle school and high school students is expected to slightly decrease from 2015 to 2020, resulting from the decreasing school-age population. The following diagram sets forth the number of students enrolled in primary and secondary education in China from 2012 to 2015, as well as a forecast of such figures from 2016 to 2020:

Total number of student enrolments of primary and secondary education (China), 2012-2020E



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Development trends of the education industry in China

The development of the overall education industry in China is driven primarily by the following factors:

- **Income growth for middle class in China is expected to drive up education spending:** According to Frost & Sullivan Report, the per capita disposable income of Chinese urban households has increased rapidly from RMB24,565 in 2012 to RMB31,195 in 2015, and is forecasted to increase to approximately RMB44,290 in 2020. The rise of middle class families in China is expected to drive the spending on premium education, as such families are relatively well educated and they consider that good education background could benefit their children in the long run.
- **Encouragement for private investment in the education sector:** Currently, the majority of the education institutions in China is funded and operated by government authorities and education resources are not necessarily able to be distributed equally. The central government tends to increasingly welcome private investment in the education industry to improve efficiency, hence private-owned education group with large scale will likely be benefited.
- **Demand for well-rounded education with premium quality:** Many believe the existing education in China may have over emphasised examination scores, while other aspects of students such as social skills, psychological and physical health may have often been neglected. There is an increasing preference from parents to seek for high quality academic programs from private schools that can offer a more comprehensive education programme that aim to educate students with all rounded ability.

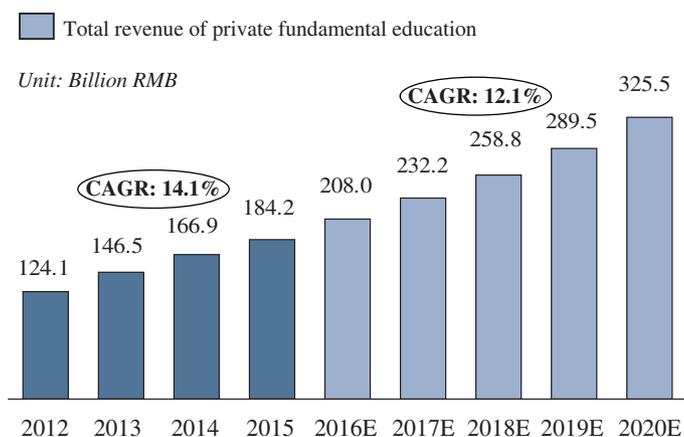
OVERVIEW OF THE PRIVATE FUNDAMENTAL EDUCATION INDUSTRY IN CHINA

Market size and trends of the private fundamental education industry in China

Private education was first allowed in China by law in early 1980s to bridge the shortage of public resources. Private education has experienced rapid growth and become an important segment in the PRC education system.

According to the Frost & Sullivan Report, total revenue generated by the PRC private fundamental education industry increased from RMB124.1 billion in 2012 to RMB184.2 billion in 2015, and is expected to increase to RMB325.5 billion in 2020, representing a CAGR of approximately 14.1% and 12.1% respectively. This rapid growth was primarily driven by the parents' and students' rising preference for private schools, which resulted in the increased student enrolment in private schools, as well as increased tuition fees charged by private schools. The following chart sets forth the total revenue generated from the PRC private fundamental education industry from 2012 to 2015, and the forecast revenue from 2016 to 2020:

Total revenue of private fundamental education (China), 2012-2020E



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Student enrolment in the private primary and secondary schools in China

According to the Frost & Sullivan Report, there were an increasing number of students shifting from public schools to private schools from 2012 to 2015.

The following chart sets forth the total number of student enrolled in private primary and secondary education in the PRC from 2012 to 2015, and the forecast number of student enrolment from 2016 to 2020:

Total number of student enrolment of private primary and secondary education (China), 2012-2020E

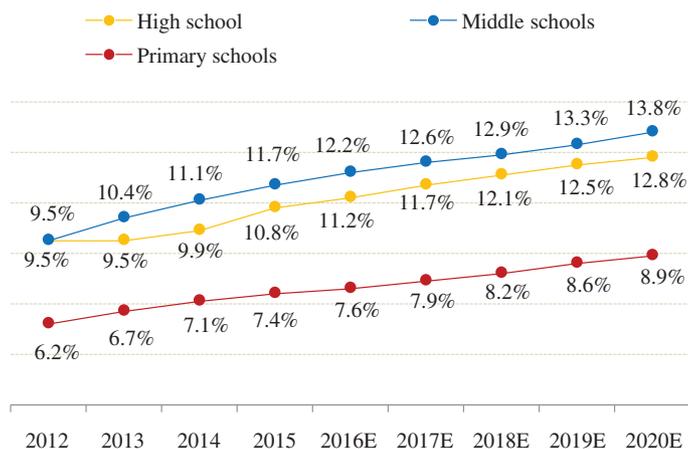


Source: Frost & Sullivan Report

The penetration of private schools in the overall fundamental education system has increased over the past five years and this trend is likely to continue in the future. It is expected that the penetration rate of private primary schools, private middle schools and private high schools will increase from 7.4%, 11.7% and 10.8% in 2015, respectively, to 8.9%, 13.8% and 12.8% in 2020, respectively according to the Frost & Sullivan Report. This suggests that private education is increasingly more popular in China and is considered as a higher quality choice for the middle class population.

The following diagram sets forth the penetration rate of private schools in primary, middle and high school education in the PRC in terms of student enrolment from 2012 to 2015, and a forecast of penetration rates from 2016 to 2020:

Private schools penetration in primary and secondary education by number of student enrolments (China), 2012-2020E



Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Comparison between private and public fundamental education in China

According to the Frost & Sullivan Report, as compared to public schools, private schools have the following advantages:

- ***Flexibility in enrolment plan:*** Private schools generally have more flexible enrolment plan and less limitations regarding students' background, whereas public schools usually have specific requirements, such as students' registered permanent residence.
- ***Curriculum diversification:*** Many public schools are reluctant to make adjustments and the diversification in public schools' curriculums is limited due to the requirements of governmental departments. In contrast, private schools tend to have more diverse and broader curriculum offerings and a greater degree of flexibility in terms of the level of tuition they charge.
- ***Motivation for improvements:*** Private schools react more actively towards market needs and demand compared to public schools which are mainly driven by the government guidance. As a result, private schools are more motivated to continuously making improvements allowing them to attract high quality students and charge higher tuition fees.
- ***Operation flexibility:*** Private schools in China generally have higher level of operation independence. With greater motivation to react to market dynamics and improve, private schools also possess greater flexibility in operation that enables them to do so. They have their own employment system and stimulus measures, which broaden the source of teachers and encourage them to improve teaching quality.
- ***Tuition fee:*** Tuition and miscellaneous fees are generally higher in private schools than public schools. According to the Frost & Sullivan Report, annual average tuition and miscellaneous fees in private high schools, middle schools and primary schools are estimated to be RMB7,719, RMB3,289 and RMB2,567, respectively in 2015. In China, primary schools and middle schools are compulsory education, and public schools do not charge tuition fee for compulsory education, while only a limited amount of miscellaneous fees will be collected.

Emergence of premium private education

Private schools providing fundamental education in China can be generally classified into three categories: (i) premium private international schools providing international curriculum; (ii) premium private schools providing the PRC curriculum; and (iii) non-premium/mass market private schools providing the PRC curriculum. The type of private education that Chinese parents are willing to pay more is premium private schools, which offer higher quality education, more advanced educational facilities and a more satisfying environment to students through charging higher tuition fees than non-premium/mass market private schools. Premium private schools generally pay more attention to develop all-rounded education curriculum for students and help students to gain better access to top universities. Non-premium/mass market private schools are more commonly found in industrial area that employs large number of labours who comes from many other provinces whose children are difficult to enter into public school system. These schools aim to serve students in large class size at low and affordable tuition costs for workers with relatively lower income. According to the Frost & Sullivan Report, premium private schools in China are defined to include private schools whose annual tuition fee is higher than the average per student public fiscal budget on education of the province they operate in. Please refer to "Competitive landscape of premium private primary and secondary education market in South China" below for further details.

INDUSTRY OVERVIEW

Premium private primary and secondary education in the PRC is expected to grow at a higher CAGR than the overall private primary and secondary education in terms of student enrolments during the forecast period from 2016 to 2020, driven by the increasing income of Chinese households and their increasing expectation for quality of education. In contrast, non-premium private primary and secondary education is expected to grow at a slower rate than the overall private education market in China, according to the Frost & Sullivan Report.

Drivers of private fundamental education in China

The development of private primary and secondary education in China is driven primarily by the following factors:

- ***Increase of income level and higher attention on children's education of Chinese households:*** Children's education is generally the priority for most parents. There is also an increasing number of Chinese parents who would like their children to receive differentiated and well-rounded education which are usually provided by premium private schools. With the increase of disposable income of urban households in China, tuition fees charged by premium private schools has become more affordable and we expect that it will support the growth of the industry.
- ***Government support:*** Since the 1980s, the PRC government, both at the central and local level, has launched a series of policies to encourage the development of private education institutions. For example, PRC government expenditure on private education has increased at a CAGR of 14.8% from 2012 to 2015. The PRC government also encourages private investment to invest in the education sector. For example, the Decision on Amending the Law for Promoting Private Education of the PRC, which will become effective on 1 September 2017, provides additional supportive measures to private schools. Additionally, the 12th Five-Year Plan for National Economic and Social Development issued by the National People's Congress in 2011 encouraged private capital to run education and ensured that private schools enjoy equal legal status as public ones. In some regions, local government has taken many favourable policies to attract well-branded private schools to establish local branch such as free land or financial support for campus building.
- ***Increase in private investment:*** With the continuous development of the PRC education sector and the support from the PRC government, the sector has attracted increasing attention from private investors and significant investments have been made by them in the form of private investment, initial public offering, etc. We expect that this trend will continue and become an important funding channel for the industry.

Teaching costs for the private fundamental school industry

Teaching cost of private fundamental schools is determined by multiple factors, such as average salary for teachers, student-teacher ratio and the ratio of the number of teaching staff to the overall number of staff. The average annual salary of teachers in the PRC primary and secondary education market (including both public and private schools) increased from approximately RMB45,100 in 2012 to approximately RMB56,500 in 2015. The average annual wages of teachers vary in different regions, depending on the development status of regional economy as well as the local living standards and purchasing powers. In general, teachers working in premium private schools earn a higher compensation than the national average.

INDUSTRY OVERVIEW

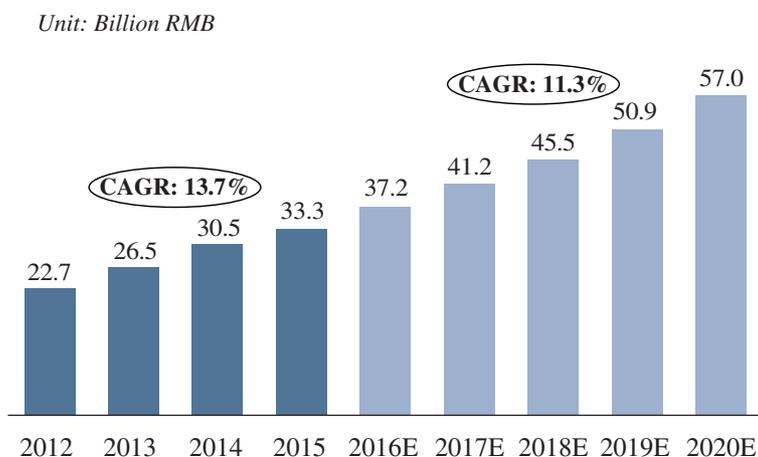
OVERVIEW OF THE PRIVATE FUNDAMENTAL EDUCATION INDUSTRY IN SOUTH CHINA

South China, which includes Guangdong, Guangxi and Hainan provinces, is an important economic region zone in China accounting for 12% of China's total population and 14% of the national GDP in 2015, according to the Frost & Sullivan Report. It is also the area where the majority of our schools located.

Market size in the private fundamental education industry in South China

According to the Frost & Sullivan Report, total revenue generated by the private fundamental education industry in South China was RMB33.3 billion in 2015, compared to RMB22.7 billion in 2012, representing a CAGR of approximately 13.7%. The total revenue of private fundamental education in South China is expected to reach RMB57.0 billion in 2020, representing a CAGR of approximately 11.3% from 2015 to 2020. In 2015, the total revenue of private fundamental education in South China accounted for 18% of that in China. The following chart sets forth the total revenue generated by the private fundamental education industry in South China from 2012 to 2015, and the forecast of revenue from 2016 to 2020:

Total revenue of private fundamental education (South China), 2012-2020E



Source: Frost & Sullivan Report

In South China, Guangdong province has the highest penetration rate of private fundamental education. In 2015, the penetration rate for Guangdong province reached 28.7%, while the rate for Hainan province and Guangxi province are 24.2% and 16.9% respectively.

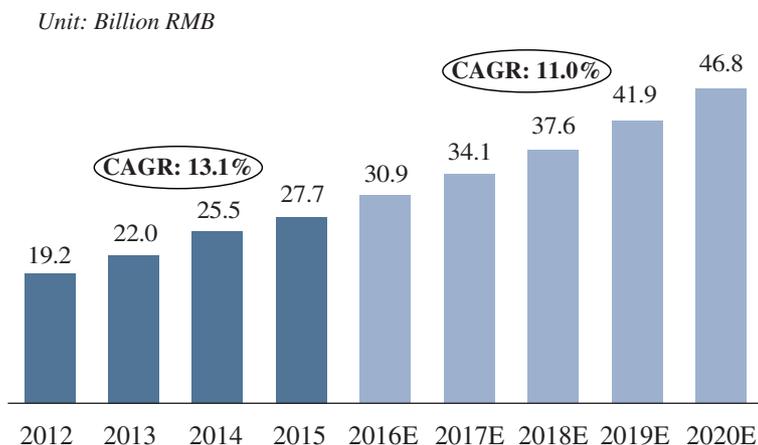
The average annual tuition and miscellaneous fee in 2015 for private schools in South China is RMB7,698, RMB3,138 and RMB2,538 for high school students, middle school students and primary school students, respectively, which is slightly lower than the national average for private education. A considerable amount of private schools in Guangdong provides non-premium/mass market education, which leads to the lower average tuition fee in South China.

INDUSTRY OVERVIEW

Market size and trends of the private fundamental education industry in Guangdong

According to the Frost & Sullivan Report, total revenue generated by the private fundamental education industry in Guangdong province increased from RMB19.2 billion in 2012 to RMB27.7 billion in 2015, and is expected to increase to RMB46.8 billion in 2020, representing a CAGR of approximately 13.1% and 11.0% respectively. The following chart sets forth the total revenue generated from the private fundamental education industry in Guangdong province from 2012 to 2015, and the forecast revenue from 2016 to 2020:

Total revenue of private fundamental education (Guangdong), 2012-2020E



Source: Frost & Sullivan Report

Student enrolment in the private primary and secondary schools in South China

South China is a region where private primary and secondary education is highly developed and recognised. In 2015, while the total population in South China accounts for only 12% of China's total population, the total number of students enrolled in private primary and secondary schools in South China accounts for 22% of that in overall China. According to the Frost & Sullivan Report, in the Guangdong province, where the majority of our schools are located, the total number of students enrolled in primary and secondary schools was 14.3 million, among which 2.7 million enrolled in private schools. The students enrolled in premium private primary and secondary schools in Guangdong province amounted to 0.7 million in 2015, accounting for 26.7% of the total private primary and secondary school students.

According to the Frost & Sullivan Report, the total number of students enrolled in private primary and secondary schools in South China increased from 2.8 million in 2012 to 3.2 million in 2015, representing a CAGR of approximately 5.0%, and is expected to increase from 3.2 million in 2015 to 4.0 million in 2020, representing a CAGR of approximately 4.4%.

INDUSTRY OVERVIEW

Such increase in student enrolment is primarily attributable to (i) the PRC central government’s guidelines, local government supportive policies and efforts from relevant departments relating to areas such as taxation, land, capital or employment to drive the development of private education, (ii) population inflow to South China, and (iii) funds from various social sectors to the private education industry. The following diagram sets forth the number of students enrolled in private primary and secondary education in South China from 2012 to 2015, as well as a forecast of student enrolment expected from 2016 to 2020:

Total number of student enrolment of private primary and secondary education (South China), 2012-2020E



Source: Frost & Sullivan Report

Tuition fees of the premium private fundamental education industry in Guangdong province

Tuition fees in private fundamental schools are generally higher than those in public fundamental schools, as their operations are funded primarily by tuition fees. Additionally, premium private schools usually charge an even higher fee. According to the Frost & Sullivan Report, the average annual tuition fee of premium private education in Guangdong province is within the range of RMB20,000-25,000, RMB16,000-20,000 and RMB14,000-18,000 in 2015 for high school, middle school and primary school, respectively.

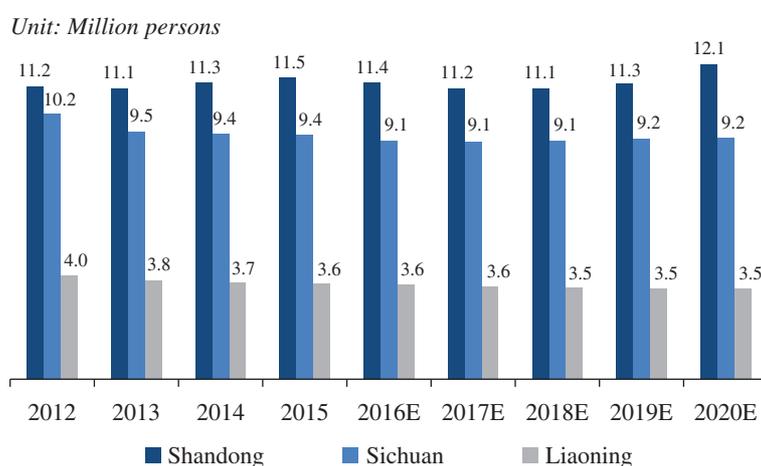
INDUSTRY OVERVIEW

OVERVIEW OF THE PRIVATE FUNDAMENTAL EDUCATION INDUSTRY IN SHANDONG, SICHUAN AND LIAONING

In addition to South China, where the majority of our schools are located, we also operate in Liaoning province and plan to enter into Shandong and Sichuan provinces.

According to the Frost & Sullivan Report, the total number of students enrolled in primary and secondary schools in Shandong, Sichuan and Liaoning province slightly decreased from 11.2 million, 10.2 million and 4.0 million in 2012 to 11.5 million, 9.4 million and 3.6 million in 2015, respectively. The slight decrease is mainly due to the decrease in school-age population. The following diagram sets forth the number of students enrolled in primary and secondary education in Shandong, Sichuan and Liaoning provinces from 2012 to 2015, as well as a forecast of student enrolment expected from 2016 to 2020:

**Total number of student enrolments of primary and secondary education
(Shandong, Sichuan and Liaoning), 2012-2020E**

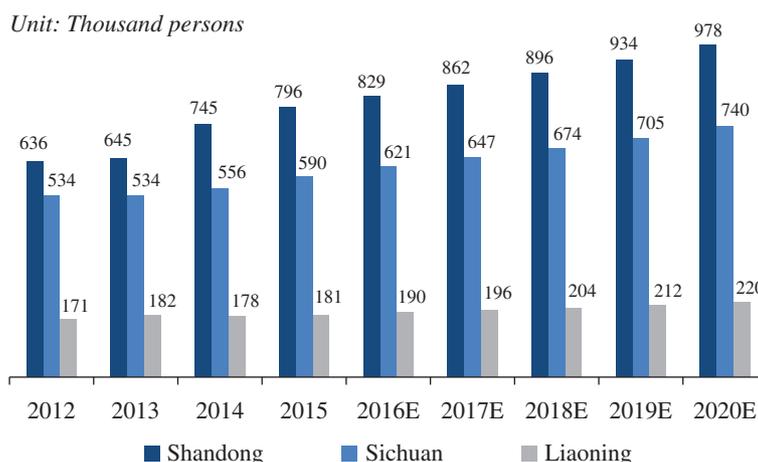


Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Despite a downward trend in the student enrolment of the overall primary and secondary education, according to the Frost & Sullivan Report, the number of students enrolled in private primary and secondary education in Shandong, Sichuan and Liaoning provinces increased from 636,000, 534,000 and 171,000 in 2012 to 796,000, 590,000 and 181,000 in 2015, respectively. It is expected that the student enrolment will continue to increase from 2015 to 2020 at a CAGR of 4.2%, 4.7% and 4.1% in Shandong, Sichuan and Liaoning provinces, respectively. In 2015, the students enrolled in private education accounted for approximately 6.9%, 6.3% and 5.0% of the overall student enrolments in Shandong, Sichuan and Liaoning provinces. The following diagram sets forth the number of students enrolled in private primary and secondary education in Shandong, Sichuan and Liaoning provinces from 2012 to 2015, as well as a forecast of such figures from 2016 to 2020:

Total number of student enrollments of private primary and secondary education (Shandong, Sichuan and Liaoning), 2012-2020E



Source: Frost & Sullivan Report

Due to the difference of economic development in each province, the average per student public fiscal budget on education is different and therefore the threshold for premium private school varies in each province. In 2015, according to the Frost & Sullivan Report, students enrolled in premium private primary and secondary education amounted to approximately 0.2 million, 0.2 million, and 0.1 million, accounting for 31.0%, 41.1% and 43.8% of the overall student enrolments in private primary and secondary education in Shandong, Sichuan and Liaoning provinces respectively.

COMPETITIVE LANDSCAPE OF PREMIUM PRIVATE PRIMARY AND SECONDARY EDUCATION MARKET IN SOUTH CHINA

According to the Frost & Sullivan Report, the private primary and secondary education industry is highly fragmented on a nationwide basis and none of the players have a sizable market share. Private fundamental education operators commonly focus on regional markets in China for their operation and development, given that China's private primary and secondary education market is relatively local-based in terms of regulative environment, competition and resources.

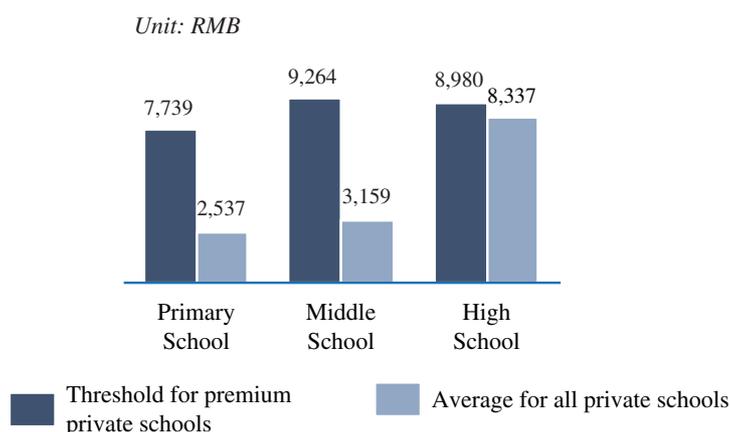
Premium private school vs non-premium/mass market private school

Private schools are divided into premium private schools and non-premium/mass market private schools. Premium private schools target middle class students who are unsatisfied with public education while non-premium/mass market private schools mainly target students who cannot get enrolled in the public schools due to limited public education resources and local limitation policies. Given that premium private schools differ from non-premium/mass market private schools in terms of target market, service offering and business model, it is more precise and appropriate to consider

INDUSTRY OVERVIEW

only premium private schools when analysing the competitive landscape of the market our Group operates in. According to the Frost & Sullivan Report, premium private schools in China are defined to include private schools whose annual tuition fee is higher than the average per student public fiscal budget on education of the province where it operates in. Due to the difference of economic development in each province, the average per student public fiscal budget on education is different and therefore the threshold for premium private school varies in each province. The following chart sets forth the average tuition and miscellaneous fees of private schools and the threshold for premium private schools in Guangdong province (the region that the majority of our schools are located) in 2015:

Annual tuition and miscellaneous fees for private schools (Guangdong Province), 2015



Positioning of our Group in South China

The premium private primary and secondary education in South China is a large and highly fragmented market. According to the Frost & Sullivan Report, in 2015/16 school year, the number of students enrolled in premium private primary and secondary schools account for approximately 29% and 27% of the total number of students in private primary and secondary schools in South China and Guangdong province, respectively. In terms of market share by number of students, the market is highly fragmented with the top five players accounting for only approximately 9.1% market share. In 2015/16 school year, our Group was the largest provider of premium private primary and secondary education in South China, in terms of student enrolment, with a market share of approximately 2.8%. The other sizable players identified by the Frost & Sullivan Report, Company A, Company B, Company C and Company D, have a market share of approximately 2.2%, 1.5%, 1.3% and 1.3% respectively.

Leading premium private primary and secondary school operators in South China

Company	Market share in terms of student enrolment
Our Group	2.8%
Company A	2.2%
Company B	1.5%
Company C	1.3%
Company D	1.3%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF PRIVATE PRIMARY AND SECONDARY EDUCATION MARKET IN SHANDONG, SICHUAN AND LIAONING

The private primary and secondary education market is fragmented in Shandong, Sichuan and Liaoning provinces, with approximately 640, 500 and 160 private primary and secondary schools in 2015, respectively, according to the Frost & Sullivan Report.

Given that we recently entered Liaoning province, and expect to enter the private fundamental education market in Shandong and Sichuan in the near future, the Group did not have a significant market position in these three provinces as at the Latest Practicable Date.

ENTRY BARRIERS FOR PRIVATE PRIMARY AND SECONDARY EDUCATION INDUSTRIES IN CHINA

The PRC private primary and secondary education industry have fairly high entry barriers, in particular, the primary and middle school education which is closely regulated by the MOE. Specific entry barriers are set forth below:

- **Regulatory approvals:** School operators in China are required to obtain and maintain a series of approvals, licenses and permits by the relevant PRC governmental authorities, and comply with specific registration and filing requirements in order to provide education services. The establishment of a school in China is also subject to the approval of relevant government authorities under the Education Law of the PRC (中華人民共和國教育法), and the establishment of a private school in China is subject to further approvals stipulated under the Law for Promoting Private Education and the Implementation Rules for the Law of Promoting Private Education of the PRC (中華人民共和國民辦教育促進法實施條例). The process to obtain such approvals is lengthy and complex, thereby forming a natural barrier for the industry, especially for the new school operators;
- **Brand awareness and source of students:** For private schools, brand awareness is critical because it is one of the most important factors that parents and students consider when choosing schools. A private school with long operating history and well-established reputation are more attractive to parents and students than new schools. Establishing brand awareness and reputation takes time and experience, which make it difficult for new entrants to attract and enroll students in the early years of operation;
- **Capital requirements:** The establishment of a school in China requires large initial capital investment for the acquisition of the land use right and the construction of campus and school facilities, as well as other related expenses. The establishment of a school also requires an on-going long-term investment commitment in addition to the initial capital outlay. Thus, this sets up a high capital barriers for new entrants;
- **Availability of land:** The availability of land and relevant facilities remain a challenge for new market entrants as a result of tight supply of available land in certain cities and regions in the PRC and the rising rental costs. Sufficient area of land and adequate school facilities are the basic requirements to operate schools and have direct impact on the class size and quality of education school that operators can offer. Based on the foregoing, considerable time and resources are required for school operators to establish new schools in a new location; and
- **Availability of qualified teaching staff:** The quality of education depends on the quality of the teaching staff. Due to the general demand for smaller class size and shortage of qualified teaching staff, school operators who wish to expand their existing schools or establish new schools are faced with pressure to attract and retain high-quality teachers. In addition, qualified teachers are usually more attracted to public schools and well-established private schools, which make it more difficult for new market entrants to attract such teachers at development stage.

REGULATIONS

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Foreign Investment Industries Guidance Catalog (2015)

Pursuant to the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015年修訂)), the “**Foreign Investment Catalog**”) which was amended and promulgated by the NDRC and the MOFCOM on 10 March 2015 and became effective on 10 April 2015, preschool education, high school education and higher education are restricted industries for foreign investors, and foreign investments are only allowed to invest in preschool education, high school education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation, which means the principal or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the sino-foreign cooperative educational institution. In addition, according to the Foreign Investment Catalog, foreign investors are prohibited from investing in compulsory education, namely primary school and middle school.

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by State Council on 1 March 2003 and became effective on 1 September 2003 and amended on 18 July 2013, 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 2 June 2004 and became effective on 1 July 2004.

The Regulation on Operating Sino-foreign Schools and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among PRC citizens and encourage substantial cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education, and PRC educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organization must be a foreign educational institution with relevant qualification and high-quality education ability. Our PRC Legal Adviser have advised that based on their current understanding and knowledge, it is uncertain as to what type of information (including the length and type of experience) a foreign investor must provide to the competent PRC government authority to demonstrate that it meets the qualification requirement. PRC-foreign cooperative schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any PRC-foreign cooperation school and cooperation program shall be approved by relevant education authorities and obtain an Operation Permit for Sino-foreign Cooperation School, and a sino-foreign cooperation school established without the above approval or permit may be prohibited by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

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

REGULATIONS

On 19 January 2015, MOFCOM published the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the Draft Foreign Investment Law (the “**Explanatory Note**”), which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises (the “**FIEs**”), primarily through contractual arrangements. The Draft Foreign Investment Law and the Explanatory Note have not been finalised and have not come into effect as of the Latest Practicable Date. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, as well as detailed implementing rules. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduced the concept of “actual control” determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted or prohibited from investment in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. Nevertheless, as the national applicable negative list has yet to be published, it is unclear whether it will differ from the current list of industries subject to restrictions or prohibitions on foreign investment (including our industry). On 2 March 2016, NDRC and MOFCOM promulgated Market Access Negative List (Pilot)(《市場准入負面清單草案(試點版)》), which is applicable in Tianjin, Shanghai, Fujian, and Guangdong, under which the restrictions and/or prohibitions on foreign investment of primary school, middle school, high school still exist. The Draft Foreign Investment Law also provides that any FIEs operating in industries on the negative list will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, certain FIE’s operating in industries on the negative list may not be able to continue to conduct their operations through contractual arrangements.

Pursuant to the Draft Foreign Investment Law, as far as new variable interests entity (the “**VIE**”) structures are concerned, if the domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore, the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore, the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the negative list and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The negative list set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sectors set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provide that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes of the Draft Foreign Investment Law (the “**Explanatory Notes**”) do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures that conduct business in an industry falling in the Negative List:

REGULATIONS

- (a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;
- (b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation; and
- (c) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

The Draft Foreign Investment Law introduces the concepts of “control” and “actual control.” Under Article 18 of the Draft Foreign Investment Law, the term “control” means a status whereby any of the following conditions is met in respect of an enterprise:

- (i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- (ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders’ meeting or the board; or
- (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters.

In respect of “actual control,” the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft Foreign Investment Law defined “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people’s governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1.0 million or of not more than 10% of illegal investments.

REGULATIONS

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the PRC central government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1.0 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On 18 March 1995, the National People's Congress of the PRC (中華人民共和國全國人民代表大會) enacted the Education Law of the PRC (《中華人民共和國教育法》), the "**Education Law**", which was amended on 27 August 2009 and further amended on 27 December 2015. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising preschool education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other institutions of education. Furthermore, it provides that in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of educational institution in accordance with 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 institution of education, and the establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, verification, approval, registration or filing. On 27 December 2015, the Education Law was amended (the "**amended Education Law**"), which came into effect on 1 June 2016. The amended Education Law does not include the requirement that no organization or individual may establish or operate a school or any other educational institution for profit-making purposes, but schools and other educational institutions sponsored by all or part of government financial funds and donated assets are forbidden to be established as for-profit organizations.

REGULATIONS

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

The Law for Promoting Private Education (《民辦教育促進法》) became effective on 1 September 2003 and was amended on 29 June 2013 and further amended on 7 November 2016, which shall come into effect on 1 September 2017, 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 1 April 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, preschool education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School (民辦學校辦學許可證), and shall be registered with the registration authority, i.e. the Ministry of Civil Affairs of the PRC (中華人民共和國民政部, the “MCA”). As at the Latest Practicable Date, each of our schools had obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the MCA.

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

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

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People’s Congress (the “**Decision**”), which will become effective on 1 September 2017. The Decision has made certain amendments to the Law for Promoting Private Education of the PRC, including, among other things:

Not-for-profit and for-profit schools

According to the Decision, school sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as not-for-profit entities. According to the Decision, private high schools can be established as for-profit schools and school sponsors of for-profit private schools can obtain operating profits.

REGULATIONS

Set out below is a summary of certain comparison between for-profit schools and non-for-profit schools pursuant to the Decision:

	For-profit schools	Not-for-profit schools
Applicability	All private schools (except for schools providing compulsory education) may choose to become for-profit schools	All private schools may choose to become not-for-profit schools
Profits	School sponsors can obtain operating profits	School sponsors cannot obtain operating profits
Fee	Determined based on costs and market demand, and subject to the school's discretion	Determined based on costs and market demand, and regulated by relevant local governmental authorities
Taxation, supply of land and other supportive measures	Preferential tax and supply of land treatments according to applicable laws	Preferential tax and supply of land treatments according to applicable laws (in addition, not-for-profit schools enjoy the same preferential tax and supply of land treatments as public schools, which are currently eligible to enjoy EIT exemption) Enjoy more supportive measures, such as government subsidies, fund awards and incentive donations, than for-profit schools
Liquidation	School sponsors can obtain the school's remaining assets after the settlement of the schools' indebtedness	The schools' remaining assets shall be used for the operation of other not-for-profit schools. For schools established before the promulgation of the Decision, prior to the remaining assets being used as such, school sponsors may apply for compensation or awards from the school's remaining assets after the settlement of the school's indebtedness.

The Decision does not specify that existing schools have to notify any authority of their status as not-for-profit entities or for-profit entities within a time limit upon the Decision becomes effective. The Decision is silent on the specific measures on how existing schools can change their status to for-profit schools, which, according to the Decision, shall be regulated by the corresponding laws and regulations promulgated by local government authorities. It is also unclear how existing schools that choose to become for-profit schools will be required to pay taxes during the transition process.

Operating profits and reasonable returns

The Decision removed the article that "school sponsors of private schools may choose to require reasonable returns". According to the Decision, private schools are either for-profit or not-for-profit schools and the Decision no longer makes a distinction between schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. School sponsors of for-profit schools may obtain operating profits, while school sponsors of not-for-profit schools cannot obtain operating profits.

REGULATIONS

School fees

The Decision removed the government approval requirement for the fees charged by private schools. According to the 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 schools will be determined by the schools at their discretion, while the fees charged by not-for-profit schools shall be regulated by the relevant local government authorities.

Supportive measures

The Decision provided additional supportive measures for private schools. According to the Decision, not-for-profit schools will enjoy more supportive measures than for-profit schools, such as government subsidies, fund awards and incentive donations. While all private schools will enjoy preferential tax treatment in accordance with applicable laws, not-for-profit private schools will enjoy the same preferential tax treatments as public schools. It is unclear how existing schools that choose to become for-profit schools will be required to pay additional taxes during the transition process. As the relevant PRC tax laws have not been amended to distinguish between not-for-profit and for-profit schools, there is currently no certainty as to whether the tax treatments will change after the Decision becomes effective. According to the Decision, not-for-profit private schools enjoy the same treatment as public schools with respect to the supply of land, which will be supplied by the government through allocation or other means, while land will be supplied to for-profit schools in accordance with applicable laws.

Liquidation

The Decision clarifies the treatment of remaining assets upon liquidation of private schools. According to the Decision, upon liquidation of private schools, school sponsors of for-profit schools can obtain the schools' remaining assets after the settlement of the schools' indebtedness, while school sponsors of not-for-profit schools, which are established before the promulgation of the Decision, can apply for compensation or awards from the schools' remaining assets after the settlement of the schools' indebtedness and the rest of the schools' remaining assets shall be used for the operations of other not-for-profit schools. Pursuant to the Decision, whether the school sponsor has obtained reasonable returns from a school will be a factor of determining the amount of awards or compensation to the school sponsor upon the liquidation of the not-for-profit school. Since the Decision is silent on how or by whom the rest of the remaining assets of liquidated not-for-profit schools shall be dominated and disposed of, according to our PRC Legal Adviser, it is not a violation of the Decision if school sponsors of such liquidated not-for-profit schools use the rest of the remaining assets for the operations of other not-for-profit schools.

School Sponsor's Reasonable Returns

According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" rather than "owners" or "shareholders." The economic substance of "school sponsorship" with respect of private schools is substantially similar to that of ownership in terms of legal, regulatory and tax matters. Private education is treated as a public welfare undertaking under the regulations. Nonetheless, school sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. According to the Decision, the article that "school sponsors of a private school may choose to require reasonable returns" has been deleted. Private schools are either for-profit or not-for-profit schools and the Decision no longer makes a distinction between schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. Accordingly, school sponsors of private schools shall not require "reasonable returns" from the schools after the Decision becomes effective on 1 September 2017. Instead, school sponsors of for-profit schools may obtain operating profits, while schools sponsors of not-for-profit schools cannot obtain operating profits.

REGULATIONS

The election to establish a private school the school sponsors of which require reasonable returns must be set out in the articles of association of the school. The percentage of the school's annual net balance that can be distributed as reasonable return shall be determined by the school's executive council, board of directors or other form of the decision-making body, taking into consideration the following factors: (i) items and criteria for the school's fees, (ii) the ratio of the school's expenses used for educational activities and improving the educational conditions to the total fees collected; and (iii) the school operation level and educational quality. The relevant information relating to the school operation level and the quality of education shall be publicly disclosed before the determination of the percentage of the school's annual net balance that can be distributed as reasonable returns. Such information and the decision to distribute reasonable returns shall also be filed with the approval authorities within 15 days from the decision made. However, none of the current PRC laws and regulations provides a formula or guidelines for determining what constitutes a "reasonable return". In addition, no current PRC laws or regulations set forth any requirements or restrictions on a private school's ability to operate its education business that differ based on such school's status as a school the school sponsor of which requires reasonable returns or a school the school sponsor of which does not require reasonable returns. All of our schools elected to be a school whose school sponsor requires reasonable return.

At the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school the school sponsor of which requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school the school sponsor of which does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Private schools the school sponsor of which does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools the school sponsor of which require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by such authorities in this regard. According to the Decision, which will become effective on 1 September 2017, not-for-profit private schools enjoy the same preferential tax treatments as public schools, while for-profit schools enjoy the preferential tax treatments provided by the applicable laws. As the relevant PRC tax laws have not been amended to distinguish between not-for-profit and for-profit schools, there currently is no certainty as to whether the preferential tax treatments will change after the Decision becomes effective.

A school sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. The capital contributed by the school sponsor becomes assets of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of (if school sponsor is individual) and controlling the composition of the school's decision-making body. Specifically, the school sponsor has control over the private school's constitutional documents and has the right to elect and replace the private school's decision-making bodies, such as the school's board of directors, and therefore controls the private school's business and affairs.

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

Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) on 2 March 2005, and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined and verified by education authorities or the labor and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the Fee Charge Permit. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly discloses such information. If a school raises its tuition levels without

REGULATIONS

obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws.

According to the Decision, the governmental approval requirement for the fees charged by private schools will be removed, and the types and amounts of fees charged by private schools shall be determined based on costs and market demand after the Decision becomes effective on 1 September 2017. The fees charged by for-profit schools will be determined by the schools at their discretion, while the fees charged by not-for-profit schools shall be regulated by the relevant local government authorities.

According to the Notice regarding Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (《關於取消收費許可證制度加強事中事後監管的通知》), or Circular 36, which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system shall be cancelled nationwide from January 1, 2016.

Pursuant to the Notice on Regulations Applicable to Service Charges and Fees Collected-on-behalf in the Primary and Middle Schools (《關於規範中小學服務性收費和代收費管理有關問題的通知》) jointly promulgated by the National Development and Reform Commission and Ministry of Education on 23 July 2010, service charges in the primary and middle schools refer to the fees charged by the school for the services provided by the school and selected by the students or their parents on a voluntary basis after completion of normal teaching. “Fees collected-on-behalf” in the primary and middle schools refer to the fees collected, on a voluntary basis of students or their parents, by the school on behalf of third parties who provide services for the purpose of convenience of students’ learning and living in school. Services charges and fees collected-on-behalf should be publicly disclosed and paid on a voluntary and non-profit basis.

According to the Decision, which will come into effect on 1 September, 2017, the fees charged by for-profit schools shall be determined by the schools at their discretion, while the fees charged by not-for-profit schools shall be regulated by the relevant local government authorities.

Regulations on Safety and Health Protection of Schools

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was amended on 24 April 2015 and became effective on 1 October 2015, collective canteens of schools shall obtain the license in accordance with the laws and strictly abide by the laws, regulations and food safety standards. With regard to the order of meals from the feeding entity, the order shall be issued to an enterprise obtaining the food production and trading license and the inspection shall be conducted on the food ordered as required.

According to Administrative Measures on License of Catering Industry (《餐飲服務許可管理辦法》), which was promulgated on 4 March 2010 and became effective on 1 May 2010, a licensing system for catering industry is implemented. A catering service provider shall obtain food service license, 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 31 August 2015 and became effective on 1 October 2015, food operation license shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The principle of one license for one site shall apply to the licensing for food operation, and classified licensing for food operation according to food operators’ types of operation and the degree of risk of their operation projects is 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 4 March 2010 and became effective on 1 May 2010, catering service providers shall carry out catering service activities in accordance to laws, regulations, food safety standards and relevant requirements, be responsible for society and the general public, ensure food safety, accept social supervision, and take responsibilities for food safety in catering service.

REGULATIONS

In accordance with the Regulation on Hygiene Administration of School Canteens and Collective Dining of Students (《學校食堂與學生集體用餐衛生管理規定》) and further revised on 13 December 2010, which was promulgated on 20 September 2002 and became effective on 1 November 2002, hygiene administration of school canteens and collective dining of students should (a) follow a policy of precaution in the first place, and (b) observe the principles of being supervised and instructed by hygiene administrative department, being managed and inspected by education administrative department, and being executed by school. School canteens should keep environment inside and outside clean and tidy, and strictly supervise the process of food procurement. Staff members and management personnel of canteens should master the basic requirements of food hygiene. The principal shall be responsible for the food safety of the school canteen, and full-time or part-time food hygiene management personnel shall be appointed.

According to the Circular on Strengthening Hygiene and Epidemic Prevention and Food Hygiene and Safety of Private Schools (《關於加強民辦學校衛生防疫與食品衛生安全工作的通知》), which was promulgated on 28 April 2016, the private schools should pay high attention to and strengthen the school hygiene and epidemic prevention and the food hygiene and safety.

According to the Administrative Measures of Safety of Kindergartens, Primary and Middle School (《中小學幼兒園安全管理辦法》), which was promulgated on 30 June 2006 and became effective on 1 September 2006, schools should strictly implement Regulation on Hygiene Administration of School Canteens and Collective Dining of Students (《學校食堂與學生集體用餐衛生管理規定》) and Norms on Hygiene of Catering Industry and Delivery Entity of Collective Dining of Students (《餐飲業和學生集體用餐配送單位衛生規範》), and should strictly comply with the hygiene operation norms. In order to ensure the hygiene and safety of food and drink of teachers and students, schools should (a) establish a system of procurement of canteen supplies from designated suppliers, (b) establish a system of demanding for certificate and keeping record during procurement, (c) establish a system of retention of food for check-up and record, and (d) examine the situation of hygiene and safety of drinking water.

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

According to the Laws of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), which was amended on 26 October 2012 and became effective in January 2013, schools shall establish safety system, improve safety education among the minors and adopt measures to guarantee their personal safety.

In accordance with the Regulation on Safety Management of Middle, Primary schools and Kindergartens (《中小學幼兒園安全管理辦法》), which was promulgated on 30 June 2006 and became effective on 1 September 2006, schools shall be responsible for safety management and safety education, establish and improve internal safety management system and safety emergency response mechanism, incorporate safety education into teaching content and carry out safety education among the students.

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

REGULATIONS

Regulations on Compulsory Education

In accordance to the Law for Compulsory Education of the PRC (《中華人民共和國義務教育法》), which was promulgated by the National People's Congress on 12 April 1986 and was amended on 29 June 2006 and 24 April 2015, a 9-year system of compulsory education, including 6 years of primary school and 3 years of middle school, was adopted.

Further, the MOE issued the Reform Guideline on the Curriculum System of Compulsory Education (Trial) (《基礎教育課程改革綱要(試行)》) on 8 June 2001, which became effective on the same day, pursuant to which schools providing compulsory education shall follow a “state-local-school” three-tier curriculum system. In other words, the schools must follow the state curriculum standard for state courses, while the local educational authorities have the power to determine the curriculum standard for other courses, and the schools may also develop curriculum that are suitable for their specific needs.

Regulations on the Operation of High Schools

The MOE has promulgated several regulations on the operation of high schools, mainly concerning the choice of textbooks, the curriculum system and the graduation exam system.

According to the Circular of the Central Office of the MOE on the Selection of the Trial Text books for the Curriculum of High Schools (《教育部辦公廳關於做好普通高中新課程實驗教材選用工作的通知》) promulgated on 26 April 2005 and the Interim Measures for the Management of the Selection of the Primary and Middle School Textbooks (《中小學教科書選用管理暫行辦法》) promulgated and simultaneously came in to effect on 30 September 2014, the text books used by the primary and middle schools can only be selected from the catalog created by the MOE; And the provincial educational authority is in charge of textbook selection within its relevant administrative jurisdiction and has the power to approve the curriculum system applied in its primary and middle schools.

Further, the MOE issued the Notice on Developing Trial Curriculum System in High Schools (《教育部關於開展普通高中新課程實驗工作的通知》), the Guidance on Strengthening Instruction on Developing Trial Curriculum System in High Schools (《教育部關於進一步加強普通高中新課程實驗工作的指導意見》), the Notice on Propelling 2006 Trial Curriculum System in High Schools (《教育部辦公廳關於2006年推進普通高中新課程實驗工作的通知》) and the Notice on Propelling 2007 Trial Curriculum System in High Schools (《教育部辦公廳關於2007年推進普通高中新課程實驗工作的通知》) from 2003 through 2007, pursuant to which the MOE developed a new curriculum system in high schools nationwide, and the implementation of such curriculum system is carried on mainly by the provincial educational authorities while the MOE mainly provides guidance to its local counterparts. Under the guidelines of the MOE and subject to approval by the respective provincial educational authorities, the high schools may adopt their own unique curriculum system.

In addition to the supervision and administration in textbooks and curriculum system applied in high school, the PRC government also provides strict guidelines on the graduation exam system. According to the National Educational Committee's Opinions on Carrying Graduation Exam System in High Schools (《國家教委關於在普通高中實行畢業會考制度的意見》, the “Graduation Exam System Opinions”) which became effective from 20 August 1990, the graduation exam is a standard exam uniformly organized by a provincial educational authority to determine the studying results of a high school graduate, who can only obtain a high school diploma after passing such graduation exam. Thereafter, the MOE promulgated the Opinions on the Reform of the Graduation Exam System in High Schools (《關於普通高中畢業會考制度改革的意見》, the “Reform Opinions”) on 15 March 2000. Based on the Reform Opinions, passing the uniform Graduation Exam is no longer a prerequisite condition for obtaining a high school diploma. Upon approval by a provincial educational administration, a high school may select its own way to conduct the graduation exam, including picking the subjects and the scope of such exam.

REGULATIONS

The Guidelines for Overseas Study Tour participated by the Primary and Middle School Students (Trial)

The Ministry of Education has promulgated the Guidelines for Overseas Study Tour participated by the Primary and Middle School Students (Trial) (中小學學生赴境外研學旅行活動指南(試行), the “**Guidelines**”) on 14 July 2014. The Guidelines stipulate that overseas study tours participated in by primary and middle school students (the “**Overseas Study Tour**”) means, by adapting to the characteristics of the primary and middle school students and the educational needs, programmes that organize the primary and middle school students to go overseas to learn foreign languages and attend other short-term curriculum, perform art shows, compete in contests, visit schools, attend summer/winter school programmes, or take part in other activities that help the students expand their horizon and promote enrichment and enhancement, in the manner of group travel and group accommodation during the academic term or vacation. Overseas Study Tours attended by the primary and middle school students shall follow the principles of safety, civility and efficiency. The schedule for study, from the perspective of both the content and the duration, shall be no less than 1/2 of the total schedule. The organizer shall choose legitimate and qualified cooperation institutions, and stress the importance of safe education, and shall appoint a guiding teacher for each group. The organizer shall apply the rules of cost accounting, notify the students and their supervisors of the composition of the fees and expenses, and enter into an agreement as required by law. The school and its staff shall not seek any economic benefit from organizing its own students to attend an Overseas Study Tour.

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

On 8 July 2010, the PRC central government promulgated the Outline of China’s National Plan for Medium-and Long-Term Education Reform and Development (2010-2020) (《國家中長期教育改革和發展規劃綱要(2010-2020年)》) which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories, for-profit private education entities and not-for-profit private education entities. On 24 October 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (《關於開展國家教育體制改革試點的通知》, “**Pilot Notice**”) under which, the PRC government plans to implement a for-profit and not-for-profit classified management system for private schools. Following the Pilot Notice, amendments were made to the educational laws and the Law for Promoting Private Education.

On 27 December 2015, Decision of the Standing Committee of the National People’s Congress on Revising the Education Law (全國人民代表大會常務委員會關於修改<中華人民共和國教育法>的決定) was promulgated, which became effective on 1 June 2016 (the “**Decision on Revising the Education Law**”). The Decision on Revising the Education Law amends the article that “any organization or individual shall not establish or run a school or any other educational institution on a for-profit basis” to “a school or any other educational institution sponsored by government financial appropriations or donations shall not be a for-profit entity.”

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

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) was approved by the Standing Committee of the National People’s Congress, which will become effective on 1 September 2017. Please see “– Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementing Rules for the Law for Promoting Private Education” for details.

REGULATIONS

LEGAL REGULATIONS OVER 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 16 March 2007 and with effect from 1 October 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 are not allowed to be mortgaged. As advised by our PRC Legal Adviser, educational facilities in our schools cannot 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, accounts receivable and other property rights as stipulated by any law or administrative regulation to be pledgeable may be pledged. As advised by our PRC Legal Adviser, as no law or administrative regulation stipulates that school sponsor’s right is pledgeable, the school sponsor’s right cannot be pledged under the PRC laws and regulations.

LEGAL REGULATIONS OVER TRADEMARK AND DOMAIN NAME IN THE PRC

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 30 August 2013 and with effect from 1 May 2014, registered trademarks refer to trademarks that have been approved and registered by the Trademark Office of the State Administration For Industry & Commerce (國家工商行政管理總局商標局), which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (《中國互聯網域名管理辦法》), which was promulgated by Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) on 5 November 2004 and with effect from 20 December 2004, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

LEGAL REGULATIONS OVER LABOR PROTECTION IN THE PRC

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

REGULATIONS

The Labor Contract Law (《勞動合同法》), which was promulgated by the Standing Committee of the National People's Congress on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》), which was promulgated and became effective on 18 September 2008, regulate employer and employee relations and contain specific provisions involving the terms of the labor contract. Labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (《社會保險法》) (No. 35 of the President), which was promulgated on 28 October 2010 and became effective on 1 July 2011, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

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

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

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

REGULATIONS

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

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

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部、國家稅務總局關於教育稅收政策的通知》, the “Circular 39”) and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政部、國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》, the “Circular 3”), schools shall be exempt from 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. Schools shall be exempt from 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 for Promoting Private Education and its implementing rules, a private school the school sponsors of which do not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools the school sponsors of which require reasonable returns are separately formulated by the relevant authorities under the PRC State Council. According to the Decision, which will become effective on 1 September 2017, not-for-profit private schools enjoy the same preferential tax treatments as public schools, while for-profit schools enjoy the preferential tax treatments provided by the applicable laws. As the relevant PRC tax laws have not been amended to distinguish between for-profit and not-for-profit schools, currently there is no certainty as to whether the tax treatments will change after the Decision becomes effective.

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 21 August 2006. According to the Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局, the “SAT”) and became effective on 20 February 2009, all of the following

REGULATIONS

requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which came into force on 1 November 2015, a non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Business Tax

According to the Provisional Regulations on Business Tax (《營業稅暫行條例》), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 10 November 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (《營業稅暫行條例實施細則》), which was promulgated by the MOF and the SAT and came into effect on 25 December 1993, was amended on 22 May 1997, 15 December 2008 and further amended on 28 October 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

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

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改增值稅試點的通知》), the "Circular 36", which was promulgated on 23 March 2016 and became effective from 1 May 2016, VAT is in lieu of business tax.

Value-added Tax

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

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改增值稅試點的通知》), the "Circular 36", which was promulgated on 23 March 2016 and became effective from 1 May 2016, education services provided by schools engaged in diploma education shall be exempted from VAT. "Circular 36" stipulates that income from the provision of education services that is exempted from VAT refers to the income from the provision of degree education services for student enrolled within the officially prescribed admission plans, specifically including: income from tuitions, accommodation fees, textbook fees, exercise-book fees, and exam entry fees that are examined and approved by the relevant government authorities and charged according to the prescribed standards, as well as income from boarding fees for catering services provided by school canteens. Except for aforesaid income, income from the sponsorship fees and school-selection fees charged by schools in any name is not exempted from VAT.

REGULATIONS

Other Tax Exemptions

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

REGULATIONS ON COMPANIES IN PRC

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

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

LEGAL REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

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

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

REGULATIONS

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the “Circular 37”), which is promulgated on 4 July 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall be required to register with local branch of SAFE for foreign exchange registration of overseas investments before contributing the domestic and overseas lawful assets or interests to a SPV, and to update such registration in the event of any change of basic information of the registered SPV or major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. The SPV is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing”; “Round Trip Investments” refer to “the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e. establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests”. In addition, according to the procedural guidelines as attached to the Circular 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled (first level)”.

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

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), which came into effect from 1 June 2015. According to 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 an 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, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and

REGULATIONS

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

As Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

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

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

LAWS AND REGULATIONS IN ONTARIO, CANADA

This section summarises relevant Ontario statutes and other regulatory requirements that may affect our school(s) in Ontario in the future, if any, specifically in relation to the process in Ontario of operating a private high school in Ontario offering credits towards an Ontario Secondary School Diploma.

The power to regulate education in Canada is granted to Provinces pursuant to section 93 of the Constitution Act, 1867. In Ontario, the provision of elementary and secondary education is subject the Education Act (Ontario) (the “**Education Act**”).

Publicly Funded Elementary and Secondary Schools

Publicly funded elementary and secondary school education for children and youth between the ages of 3.8 years and 18 years of age who reside in Ontario is regulated by the Ontario Ministry of Education (the “**Ministry**”). The regulatory scheme is set out in the Education Act, regulations thereunder, Ministry Policy Program Memoranda (the “**PPMs**”) and educational programming policy documents, which together provide for the delivery of elementary and secondary education by publicly funded district school boards and school authorities to resident pupils.

REGULATIONS

Compulsory attendance at school is required by children and youth resident in Ontario between the ages of 6 years and 18 years, unless the child or youth is excused pursuant to legislation. Excusal from attendance at a publicly funded school includes the receipt of satisfactory instruction elsewhere, including private schools.

Private Schools

The legal framework governing private schools in Ontario is restricted to specific provisions of the Education Act and particular Ministry PPMs and educational programming policy and procedure documents.

Ontario private schools are defined in the Education Act as “an institution at which instruction is provided at any time between the hours of 9 a.m. and 4 p.m. on any school day for five or more pupils who are of or over compulsory school age in any of the subjects of the elementary or secondary school courses of study and that is not a school as defined in this section”.

In contrast to publicly funded schools operated by district school boards and school authorities, private schools are independent of the Ministry and do not receive provincial funding. Also, individuals providing instruction in private schools are not required to be members of the Ontario College of Teachers, nor members of one of the provincial teachers unions.

Private schools may operate as for profit businesses, as well as not-for-profit corporations. The Ministry notes on its website that “in Ontario, private schools operate as businesses or non-profit organizations independently of the Ministry of Education and in accordance with the legal requirements established by the Education Act. Unlike private schools in other provinces, they do not receive any funding or other financial support from the government”.

While all private schools in Ontario must meet the same general requirements, additional requirements are imposed on private schools seeking the authority to grant credits toward the Ontario Secondary School Diploma (OSSD).

Notice of Intent to Operate a Private School

While private schools operating in Ontario are not subject to the same regulatory framework and requirements established for publicly funded elementary and secondary schools operated by district school boards and school authorities, nevertheless, the Education Act requires that all private schools file, in the form required, an annual notice of their intention to operate (the “**NOI**”) by 1 September.

Failure to provide such notice may result in an offence pursuant to the Education Act and conviction requiring the payment of a fine. Similarly, private schools are required to file with the Ministry specific statistical information such as, the number of students enrolled, the number of private school staff and the courses of study offered. A failure to return the information requested within (60) sixty days of the request may result in a conviction and fine. Moreover, the Ministry has the authority to direct an inspection of a private school, including the records retained by the school.

Board School Identification Number

When a private school located in Ontario provides notice of operation, the Ministry issues a Board School Identification Number (the “**BSID**”) to those schools validated to be in compliance with the basic requirements for private schools identified in the Education Act and the policies and procedures namely:

- providing instruction between the hours of 9 a.m. and 4 p.m. on any school day;
- for five or more pupils;

REGULATIONS

- who are of or over compulsory school age;
- in any of the subjects of the elementary or secondary school courses of study;
- a principal in charge of the school;
- control of the program content or courses of study;
- control of the quality of instruction;
- control of the evaluation of student achievement;
- a common school-wide attendance policy; and
- secure maintenance of student records.

In the event that a private school is not validated and does not receive a BSID, it must cease operation for the remainder of the school year, but may provide notice of its intention to operate for the following school year.

Private schools are responsible for ensuring that the information required to be filed with the Ministry of Education is updated when changes occur out of cycle. For example, in the event that there is a change in private school ownership, the Ministry requires immediate notice. Other changes, such as a change of principal, may also trigger notice requirements. Otherwise, the private school will be responsible for filing a NOI before September 1 of each year.

Granting Credits Towards an OSSD

Once validated, an Ontario private school may offer and provide elementary programs and non-credit bearing secondary school programs. However, Ministry inspections are required if a private school desires to offer credits, including distance education via the internet, leading to the award of an Ontario Secondary School Diploma (the “OSSD”), which is granted by the Ministry on the basis of a principal’s recommendation. In such cases, the Ministry’s inspection is for the purpose of verifying whether the standard of instruction in courses offering credits towards the OSSD is compliant with the Ministry’s requirements. If a private school is not compliant, the Ministry may revoke the authority to grant secondary school credits towards an OSSD. The Ministry’s policy manual for private schools states: “Ensuring the integrity of OSSD credits through inspections is a critical part of the Ministry’s role with respect to private education.”

Inspections are cyclical, and while generally conducted every two years, the Ministry has discretion to conduct them more frequently where the inspector deems necessary. Compliance with Ministry expectations includes the requirements outlined in the Ministry’s policy framework outlined in Ontario Schools, Kindergarten to Grade 12 Policy and Program Requirements. Following the inspection process, an inspection report will be issued which identifies the inspector’s findings as well as recommendations for compliance, if any. The inspector will recommend whether or not the private school principal may issue credits towards an OSSD. In addition to prohibiting a private school from offering secondary school credit bearing courses or granting credits, the Ministry may also revoke the school’s BSID following inspection, in which case the private school must immediately cease operating.

REGULATIONS

Private School Principal

The principal of an Ontario private school plays an essential role in its management. S/he is responsible for ensuring the appropriate delivery of educational programming, the necessary assessment and evaluation of students and appropriate reporting practices. An OSSD is granted by the Ministry on the recommendation of the private school's principal. A change in the school principal can trigger an inspection, at the discretion of the Ministry.

Policies and Procedures

Information regarding the validation and inspection process together with the Ministry's PPMs, policies and procedures applicable to Ontario private schools is outlined in the Ministry of Education's Private Schools: Policies and Procedures Manual.

HISTORY AND DEVELOPMENT

OVERVIEW OF OUR GROUP'S HISTORY

Our history can be traced back to October 2002 when our founders, Mr. Liu and Ms. Li, established Guangdong Guangzheng to engage in the provision of private education in the PRC. Please refer to the section headed “Directors and Senior Management” of this prospectus for further details of the experience and qualifications of Mr. Liu and Ms. Li.

Guangdong Guangzheng established our first school, namely Dongguan Guangming School, in April 2003 in Dongguan, Guangdong province, offering middle school and high school education. After one year of operation, our second school, Dongguan Guangming Primary School, was established in August 2004 in the same campus of Dongguan Guangming School, offering primary school education.

In August 2013, in view of the rising demand for private fundamental education in the PRC and the increasing number of student applying to our schools, we acquired Dongguan Guangzheng Preparatory School from an Independent Third Party. Dongguan Guangzheng Preparatory School was established in Dongguan, Guangdong province in 2004 under the name H.S. Kama International School (東莞市華南師大嘉瑪學校). Taking into account the then existing infrastructure of the school available to our Group after the acquisition, we considered the acquisition would enable us to expand our school network and student capacity in a relatively short timeframe.

Leveraging on our established education model in Dongguan, we further expanded our school network to other cities in the PRC. In April 2014, we established Huizhou Guangzheng Preparatory School in Huizhou, Guangdong province, offering primary, middle and high school education. In September 2014, our Panjin Guangzheng Preparatory School commenced schooling in Panjin, Liaoning province, offering primary and middle school education. In September 2016, our Weifang Guangzheng Preparatory School in Weifang, Shandong province commenced schooling, offering primary and middle school education.

KEY MILESTONES

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

Year	Event
2003	Dongguan Guangming School was established.
2004	Dongguan Guangming Primary School was established.
2012	We established our international programmes in Dongguan Guangming School and entered into cooperation agreements with an Independent Third Party in relation to the operation of the international programmes.
2013	We acquired H.S. Kama International School (東莞市華南師大嘉瑪學校), the name of which was later changed to Dongguan Guangzheng Preparatory School.
2014	Huizhou Guangzheng Preparatory School was established. Panjin Guangzheng Preparatory School commenced schooling.
2015	We entered into a cooperation agreement with the local government of Weifang, Shandong province to establish the Weifang Guangzheng Preparatory School.

HISTORY AND DEVELOPMENT

Year	Event
2016	<p>We entered into a cooperation agreement with the local government of Guang'an, Sichuan province to establish the Guang'an Guangzheng Preparatory School.</p> <p>Weifang Guangzheng Preparatory School was established and commenced schooling in September 2016.</p>

OUR CONSOLIDATED AFFILIATED ENTITIES

Our Consolidated Affiliated Entities are the entities which principally affected the results, assets or liabilities of our Group. The following table sets out the details of our Consolidated Affiliated Entities as at the Latest Practicable Date:

Company	Date of establishment/ commencement of schooling <i>(Note 1)</i>	Registered capital	Principal business activities
Guangdong Guangzheng	10 October 2002	RMB83,400,000	Education investment
Huizhou Guangzheng	23 July 2009	RMB20,000,000	Education investment
Panjin Guangzheng	13 March 2013	RMB80,000,000	Education investment
Dongguan Wenhui	6 August 2015	RMB5,000,000 <i>(Note 2)</i>	Education investment
Weifang Guangzheng	9 October 2015	RMB30,000,000 <i>(Note 2)</i>	Education investment
Guang'an Guangzheng	8 April 2016	RMB30,000,000 <i>(Note 2)</i>	Education investment
Yunfu Guangzheng	31 August 2016	RMB50,000,000 <i>(Note 2)</i>	Education investment
Dongguan Guangming School	9 April 2003	RMB232,524,000 <i>(Note 3)</i>	Provision of high school and middle school full time education
Dongguan Guangming Primary School	25 August 2004	RMB85,912,900 <i>(Note 3)</i>	Provision of primary school full time education
Dongguan Guangzheng Preparatory School	1 July 2004	RMB50,434,793.86	Provision of high school, middle school and primary school full time education
Huizhou Guangzheng Preparatory School	10 April 2014	RMB5,000,000	Provision of high school, middle school and primary school full time education
Panjin Guangzheng Preparatory School	1 September 2014 <i>(Note 1)</i>	RMB5,000,000 <i>(Note 2)</i>	Provision of middle school and primary school full time education
Weifang Guangzheng Preparatory School	28 July 2016	RMB20,000,000	Provision of middle school and primary school full time education

HISTORY AND DEVELOPMENT

Notes:

- (1) This date refers to the respective date of establishment of our Consolidated Affiliated Entities, except that, in the case of Panjin Guangzheng Preparatory School, which has commenced schooling in September 2014 but only obtained the registration certificate for private non-enterprise entities on 14 October 2016, the date refers to the date of commencement of schooling.
- (2) The registered capital of Dongguan Wenhui, Guang'an Guangzheng, Weifang Guangzheng, Yunfu Guangzheng and Panjin Guangzheng Preparatory School had not been contributed as at the Latest Practicable Date.
- (3) The capital of Dongguan Guangming School increased from RMB5 million to approximately RMB232 million in October 2014, with such increase contributed by way of injection of land and property from Guangdong Guangzheng. The capital of Dongguan Guangming Primary School increased from RMB5 million to approximately RMB86 million in November 2014, with such increase contributed by way of injection of land and property from Guangdong Guangzheng. The registration of the transfer of the said land and property to Dongguan Guangming School and Dongguan Guangming Primary School had not been completed as at the Latest Practicable Date.

Guangdong Guangzheng

Guangdong Guangzheng was established by Mr. Liu and Ms. Li, with a registered capital of RMB15 million contributed by Mr. Liu as to 51% and by Ms. Li as to 49% respectively through their own financial resources.

Guangdong Guangzheng underwent a series of capital injections and transfers of equity interests from July 2005 to December 2011. During the Track Record Period and up to the Latest Practicable Date, the registered capital was legally held by Ms. Li as to 98.8% and Mr. SP Liu (the father of Mr. Liu) as to 1.2% and, as at the Latest Practicable Date, the registered capital increased to RMB83.4 million, and was legally held by Ms. Li as to 98.8% and Mr. SP Liu as to 1.2%. On 22 November 2011, Ms. Li and Mr. SP Liu agreed to hold 68.8% and 1.2% equity interest in Guangdong Guangzheng on trust for Mr. Liu, respectively, until the termination of such trust arrangement. Subsequently, on 24 June 2016, Mr. Liu agreed to transfer the beneficial ownership in 8% equity interest in Guangdong Guangzheng to Ms. Li. Accordingly, Mr. Liu and Ms. Li confirmed that each of them was the beneficial owner of 62% and 38% equity interest in Guangdong Guangzheng, respectively, as at the Latest Practicable Date. As confirmed by Mr. Liu and Ms. Li, the trust arrangement was intended to allow Ms. Li to be the registered holder of 98.8% equity interest, rather than a minority interest, in Guangdong Guangzheng with a view to facilitating the communications and negotiations (as the case may be) of Ms. Li on behalf of Guangdong Guangzheng with government authorities or other third parties in relation to our schools' operation and development for the benefit of Guangdong Guangzheng as a whole. Mr. Liu and Ms. Li believe that (i) as the registered holder of the vast majority of the equity interest in Guangdong Guangzheng, this will enhance the other parties' impression and confidence on Ms. Li's authority as a leader of Guangdong Guangzheng; and (ii) allow other parties to identify the Group's education business with Ms. Li, as distinct from the real estate and hotel business that Mr. Liu invested in. While high school education is a restricted industry and primary and middle school education is a prohibited industry for foreign investors in the PRC, our PRC Legal Adviser advised that, as Mr. Liu is of Chinese nationality, there is no legal impediment for Mr. Liu to be a registered shareholder of Guangdong Guangzheng. Although Mr. Liu is not a registered shareholder of any of our Consolidated Affiliated Entities, he oversees the business strategies, planning and development of our Group and serves as a director of all of our Consolidated Affiliated Entities (except Dongguan Wenhui, Weifang Guangzheng and Yunfu Guangzheng) as well as a legal representative of Dongguan Guangming School, Dongguan Guangming Primary School and Huizhou Guangzheng. As advised by our PRC Legal Adviser, the aforesaid trust arrangement is legal, valid and binding and does not contravene any PRC laws and regulations.

HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, Guangdong Guangzheng held the entire school sponsor's interest in four schools directly, namely Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Weifang Guangzheng Preparatory School.

Dongguan Guangming School

Dongguan Guangming School was established by Guangdong Guangzheng with RMB5 million from its internal resources in April 2003. The capital of Dongguan Guangming School subsequently increased to approximately RMB233 million in October 2014, with such increase contributed by way of injection of land and property from Guangdong Guangzheng to Dongguan Guangming School.

Dongguan Guangming Primary School

Dongguan Guangming Primary School was established by Guangdong Guangzheng with RMB5 million from its internal resources in August 2004. The capital of Dongguan Guangming Primary School subsequently increased to approximately RMB86 million in November 2014, with such increase contributed by way of injection of land and property from Guangdong Guangzheng to Dongguan Guangming Primary School.

Dongguan Guangzheng Preparatory School

In July 2013, Guangdong Guangzheng entered into an agreement to acquire Dongguan Guangzheng Preparatory School (then known as H.S. Kama International School (東莞市華南師大嘉瑪學校)) from an Independent Third Party at the consideration of RMB250 million, which was determined after arm's lengths negotiations between the parties by reference to the net asset value of Dongguan Guangzheng Preparatory School as at the date of the agreement based on its management accounts. From an accounting perspective, the transfer of risks and rewards of ownership in Dongguan Guangzheng Preparatory School was completed on 31 August 2013. As advised by our PRC Legal Adviser, the acquisition was legally completed and settled on 25 November 2013, upon which the entire school sponsor's interest in Dongguan Guangzheng Preparatory School became wholly-owned by Guangdong Guangzheng, and the relevant PRC regulatory approval had been obtained in respect of the acquisition.

Weifang Guangzheng Preparatory School

Weifang Guangzheng Preparatory School was established by Guangdong Guangzheng with RMB20 million from its internal resources in July 2016 and commenced schooling in September 2016.

HISTORY AND DEVELOPMENT

Disposed Companies

Guangdong Guangzheng held interests in three companies established in the PRC, namely Nantong Guangzheng, Dongguan Guangzheng Property and Dongguan Guangzheng Pharmaceutical (the “**Disposed Companies**”), prior to their disposal or deregistration. The following table sets forth the details of such companies:

Disposed Companies	Shareholding structure prior to disposal or deregistration	Principal business activities	Disposal or deregistration
Nantong Guangzheng	Guangdong Guangzheng (100%)	Education investment	Nantong Guangzheng had not established any school and had not engaged in any material business activities. On 18 January 2016, Guangdong Guangzheng agreed to transfer 70% and 30% equity interest in Nantong Guangzheng to Mr. Liu and Ms. Li at the consideration of RMB700,000 and RMB300,000, respectively, which was determined after arm’s lengths negotiations between the parties by reference to the net asset value of Nantong Guangzheng. The transfers were legally completed and settled in April 2016.
Dongguan Guangzheng Property	Guangdong Guangzheng (100%)	Property investment	Dongguan Guangzheng Property had not engaged in any material business activities. On 29 January 2016, Guangdong Guangzheng agreed to transfer 60% and 40% equity interest in Dongguan Guangzheng Property to Mr. Liu Jiefeng (a nephew of Mr. Liu) and Mr. SP Liu at the consideration of RMB120,000 and RMB80,000, respectively, which was determined after arm’s lengths negotiations between the parties by reference to the registered capital of Dongguan Guangzheng Property. The transfers were legally completed and settled in February 2016.
Dongguan Guangzheng Pharmaceutical	Guangdong Guangzheng (60%) Mr. Liu (40%)	Investment in the pharmaceutical industry	Dongguan Guangzheng Pharmaceutical had not engaged in any educational business. On 7 December 2015, Guangdong Guangzheng and Mr. Liu agreed to transfer 60% and 40% equity interest in Dongguan Guangzheng Pharmaceutical to Mr. Liu Jiefeng (a nephew of Mr. Liu) at the consideration of RMB600,000 and RMB400,000, respectively, which was determined after arm’s lengths negotiations between the parties by reference to the registered capital of Dongguan Guangzheng Pharmaceutical. The transfers were legally completed and settled in January 2016.

HISTORY AND DEVELOPMENT

Huizhou Guangzheng

Huizhou Guangzheng was established on 23 July 2009 by Guangdong Guangzheng with a registered capital of RMB5 million. After a series of capital injections and transfers of equity interests to fund the establishment of Huizhou Guangzheng Preparatory School, Huizhou Guangzheng was owned as to 25% by Guangdong Guangzheng and as to 75% by Cinese Group, as at 15 October 2013. In July 2014, 75% equity interest in Huizhou Guangzheng was transferred from Cinese Group to Guangdong Guangzheng at the consideration of RMB15 million, which was determined after arm's lengths negotiations between the parties by reference to the then capital of Huizhou Guangzheng. As advised by our PRC Legal Adviser, the transfer was legally completed and settled in July 2014.

As at the Latest Practicable Date, Huizhou Guangzheng held the entire school sponsor's interests in Huizhou Guangzheng Preparatory School directly.

Huizhou Guangzheng Preparatory School

Huizhou Guangzheng Preparatory School was established by Huizhou Guangzheng with RMB5 million from its internal resources in April 2014.

Panjin Guangzheng

Panjin Guangzheng was established as a limited liability company under the laws of the PRC on 13 March 2013 by Guangdong Guangzheng with a registered capital of RMB30 million.

To finance the establishment of Panjin Guangzheng Preparatory School, in May 2014, Guangdong Guangzheng, Panjin Guangzheng and Dongguan Trust, an Independent Third Party, entered into the financing arrangements, pursuant to which Dongguan Trust injected RMB200 million (RMB50 million as registered capital and RMB150 million as capital reserve) into Panjin Guangzheng. Accordingly, for the purpose of the financing arrangements, the registered capital of Panjin Guangzheng increased to RMB80 million, and was held by Dongguan Trust as to 62.5% and Guangdong Guangzheng as to 37.5%. Pursuant to the financing arrangements, among other matters, Dongguan Trust agreed to transfer the 62.5% equity interest in Panjin Guangzheng it held to Guangdong Guangzheng upon full repayment of RMB200 million, together with interests thereon, by Guangdong Guangzheng to Dongguan Trust. Dongguan Trust confirmed that, under the above financing arrangements, although the registered ownership of 62.5% equity interest in Panjin Guangzheng was held by Dongguan Trust, Dongguan Trust had never involved in the operation or management of Panjin Guangzheng and did not dispose of any of its equity interest in Panjin Guangzheng during the term of the financing arrangements. As advised by our PRC Legal Adviser, the aforesaid financing arrangements are legal, valid and binding and do not contravene any PRC laws and regulations. In June 2016, the 62.5% equity interest in Panjin Guangzheng was transferred from Dongguan Trust to Guangdong Guangzheng upon full repayment of the said amount pursuant to the financing arrangements. As advised by our PRC Legal Adviser, the transfer was legally completed and settled in June 2016.

As at the Latest Practicable Date, Panjin Guangzheng held the entire school sponsor's interests in Panjin Guangzheng Preparatory School directly.

Panjin Guangzheng Preparatory School

With Panjin Guangzheng as its school sponsor, Panjin Guangzheng Preparatory School commenced schooling in September 2014. On 14 October 2016, Panjin Guangzheng Preparatory School obtained the registration certificate for private non-enterprise entities. As at the Latest Practicable Date, it had a registered capital of RMB5.0 million, which had not yet been contributed at all.

HISTORY AND DEVELOPMENT

Weifang Guangzheng

For the establishment of potential new schools in the future, Weifang Guangzheng was established by Guangdong Guangzheng on 9 October 2015. At its establishment, it had a registered capital of RMB30 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng before 24 September 2045 according to its articles.

Guang'an Guangzheng

Guang'an Guangzheng was established by Mr. Liu and Ms. Wang Yanfeng, an employee of our Group, on 8 April 2016. At its establishment, Mr. Liu and Ms. Wang Yanfeng held 99% and 1% of its equity interest respectively. For the establishment of Guang'an Guangzheng Preparatory School, in May 2016, Guangdong Guangzheng, as the proposed school sponsor, acquired the entire equity interest from Mr. Liu and Ms. Wang Yanfeng at the total consideration of RMB10,000, which was determined after arm's lengths negotiations between the parties by reference to the establishment costs of Guang'an Guangzheng, and such acquisition was legally completed and settled in May 2016. As at the Latest Practicable Date, Guang'an Guangzheng had a registered capital of RMB30 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng before 30 April 2036 according to its articles.

Dongguan Wenhui

For the establishment of potential new schools in the future, Dongguan Wenhui was established by Guangdong Guangzheng on 6 August 2015. At its establishment, it had a registered capital of RMB5 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng before 1 August 2025 according to its articles.

Yunfu Guangzheng

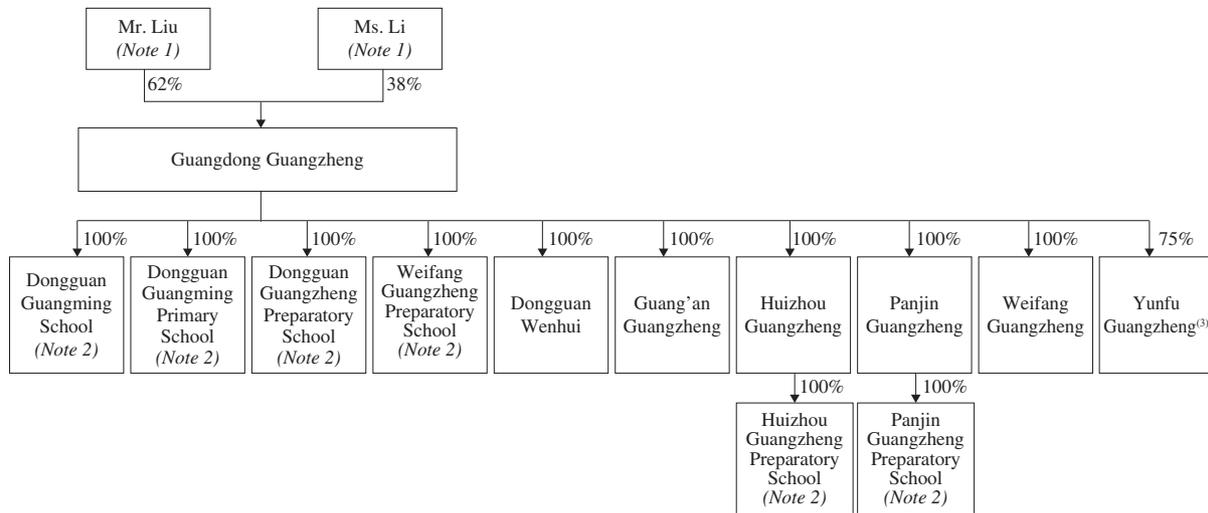
For the establishment of Yunfu Guangzheng Preparatory School, Yunfu Guangzheng was established by Guangdong Guangzheng and Mr. Xie Runjiong, an Independent Third Party, on 31 August 2016. At its establishment, Guangdong Guangzheng and Mr. Xie Runjiong held 75% and 25% of its equity interest, respectively. Pursuant to an investment agreement dated 23 August 2016 entered into between Guangdong Guangzheng and Mr. Xie Runjiong, Mr. Xie Runjiong agreed to pay RMB60 million to Yunfu Guangzheng with RMB12.5 million as registered capital and RMB47.5 million as capital for, among other matters, establishment of Yunfu Guangzheng. As at the Latest Practicable Date, Yunfu Guangzheng had a registered capital of RMB50 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng and Mr. Xie Runjiong before 23 August 2046 as to RMB37.5 million and RMB12.5 million, respectively, according to its articles.

As advised by our PRC Legal Adviser, as at the Latest Practicable Date, save that, as disclosed above, the registered capital of Panjin Guangzheng Preparatory School, Weifang Guangzheng, Guang'an Guangzheng, Dongguan Wenhui and Yunfu Guangzheng had not yet been contributed and the registration of the transfer of the land and property injected into Dongguan Guangming School and Dongguan Guangming Primary School as part of the capital contribution had not been completed, as disclosed above, all of the capital injections, acquisitions and disposals set out in this paragraph headed “– Our Consolidated Affiliated Entities” have been legally completed and settled and all material approvals in relation thereto from the relevant PRC government authorities have been obtained.

HISTORY AND DEVELOPMENT

REORGANISATION

The following chart sets forth the beneficial ownership structure of our Group immediately prior to the Reorganisation:



Notes:

- (1) Ms. Li is a co-founder of our Group and our chief executive officer and an executive Director. Guangdong Guangzheng is legally held as to 98.8% by Ms. Li and 1.2% by Mr. SP Liu. Out of the 98.8% equity interest in Guangdong Guangzheng held by Ms. Li, 60.8% equity interest is held on trust by Ms. Li for Mr. Liu. Mr. SP Liu is the father of Mr. Liu, who is another co-founder of our Group, an executive Director, chairman of the Board and one of our Controlling Shareholders. The 1.2% equity interest in Guangdong Guangzheng is held on trust by Mr. SP Liu for Mr. Liu. Accordingly, Guangdong Guangzheng is beneficially owned as to 62% by Mr. Liu and 38% by Ms. Li.
- (2) Guangdong Guangzheng is the school sponsor of each of Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. Huizhou Guangzheng is the school sponsor of Huizhou Guangzheng Preparatory School. Panjin Guangzheng is the school sponsor of Panjin Guangzheng Preparatory School.
- (3) Yunfu Guangzheng is held as to 75% and 25% by Guangdong Guangzheng and Mr. Xie Runjong, an Independent Third Party, respectively.

(a) Establishment of our Company and various group companies

Our Company

Our Company was incorporated in the Cayman Islands on 13 July 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On the same day, (i) Bright Education Holdings (a company wholly-owned by Mr. Liu) acquired one share in our Company from the incorporator at par and a further six shares in our Company were allotted and issued to Bright Education Holdings as fully-paid at nominal value; and (ii) three shares in our Company were allotted and issued to Bright Education Investment (a company wholly-owned by Ms. Li) as fully-paid at nominal value.

On 24 June 2016, our Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment respectively at nominal value on a pro-rated basis. On the same day, Bright Education Holdings sold eight shares in our Company to Bright Education Investment at a consideration of RMB90 million, which was determined after arm's lengths negotiations between the parties on normal commercial terms by reference to the profit-to-earning multiples. Upon completion of such sale, 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of our Company, respectively.

HISTORY AND DEVELOPMENT

On 3 January 2017, the authorised share capital of our Company was increased by HK\$100,000,000 by the creation of 10,000,000,000 ordinary shares of a nominal value of HK\$0.01 each, following which our Company issued fully paid (i) 48,360 shares of a nominal value of HK\$0.01 each to Bright Education Holdings (a company wholly-owned by Mr. Liu), and (ii) 29,640 shares of a nominal value of HK\$0.01 each fully paid to Bright Education Investment (a company wholly-owned by Ms. Li). On the same date, our Company repurchased and cancelled (i) 62 shares of a nominal value of US\$1.0 each registered in the name of Bright Education Holdings (a company wholly-owned by Mr. Liu), and (ii) 38 shares of a nominal value of US\$1.0 each registered in the name of Bright Education Investment (a company wholly-owned by Ms. Li). Following the repurchase, the authorised but unissued share capital of our Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US\$1.00 each in the capital of our Company.

Bright Education BVI

Bright Education BVI was incorporated in the BVI on 29 July 2010, with our Company as the initial subscriber of one share.

Bright Education HK

Bright Education HK was incorporated in Hong Kong on 15 September 2010, with our Company as the initial subscriber of one share.

Dongguan Ruixing

Dongguan Ruixing was established in the PRC on 17 May 2013 as a wholly-owned foreign enterprise with a registered capital of RMB1 million, which was wholly-owned by Bright Education HK. Bright Education HK contributed the registered capital in Dongguan Ruixing in full in July 2014.

Shenzhen Youyue

For the purpose of preparing for the potential business of the sale of electronic educational materials in the future, Shenzhen Youyue was established in the PRC on 10 October 2015 as a wholly-owned foreign enterprise with a registered capital of RMB1 million, which was wholly-owned by Bright Education HK. Bright Education HK is required to contribute to the initial registered capital of Shenzhen Youyue before 31 December 2020 according to its articles of association. As at the Latest Practicable Date, Bright Education HK had not made any registered capital contribution in Shenzhen Youyue and Shenzhen Youyue had not commenced any business operation.

Dongguan Yuexing

Dongguan Yuexing was established in the PRC on 4 December 2012 as a wholly-owned foreign enterprise with a registered capital of RMB10 million, which was wholly-owned by Bright Education HK. As at the Latest Practicable Date, the registered capital had not been contributed and was required to be contributed by 15 November 2022 according to its articles.

Brighter Dewey Education Corporation

Brighter Dewey Education Corporation was incorporated in Ontario, Canada on 27 May 2016. Since incorporation and up to the Latest Practicable Date, Brighter Dewey Education Corporation was held as to 55% by Bright Education HK and as to 45% by Dewey International Holdings Limited.

HISTORY AND DEVELOPMENT

(b) Entering into of the Contractual Arrangements

On 1 July 2016, Dongguan Ruixing and other parties entered into various agreements which constitute the Contractual Arrangements with our Consolidated Affiliated Entities, under which all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to Dongguan Ruixing to the extent permitted under the PRC laws and regulations by means of service fees payable by our Consolidated Affiliated Entities to Dongguan Ruixing. Please refer to the section headed “Contractual Arrangements” in this prospectus for further details of the Contractual Arrangements.

(c) Capitalisation Issue prior to the Global Offering

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Company will allot and issue a total of 1,499,922,000 Shares credited as fully paid at par to the persons whose names appear on the register of members of our Company at the close of business on 25 January 2017 (as nearly as possible without involving fractions) by way of capitalisation of such sum standing to the credit of the share premium account of our Company.

PRC LEGAL COMPLIANCE

The investments of our ultimate Shareholders, namely Mr. Liu and Ms. Li, in their respective overseas special purpose vehicles, namely Bright Education Holdings and Bright Education Investment, were subject to foreign exchange registration requirements in the PRC. As advised by our PRC Legal Adviser, as at the Latest Practicable Date, Mr. Liu and Ms. Li have completed their foreign exchange registrations in respect of such investments.

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

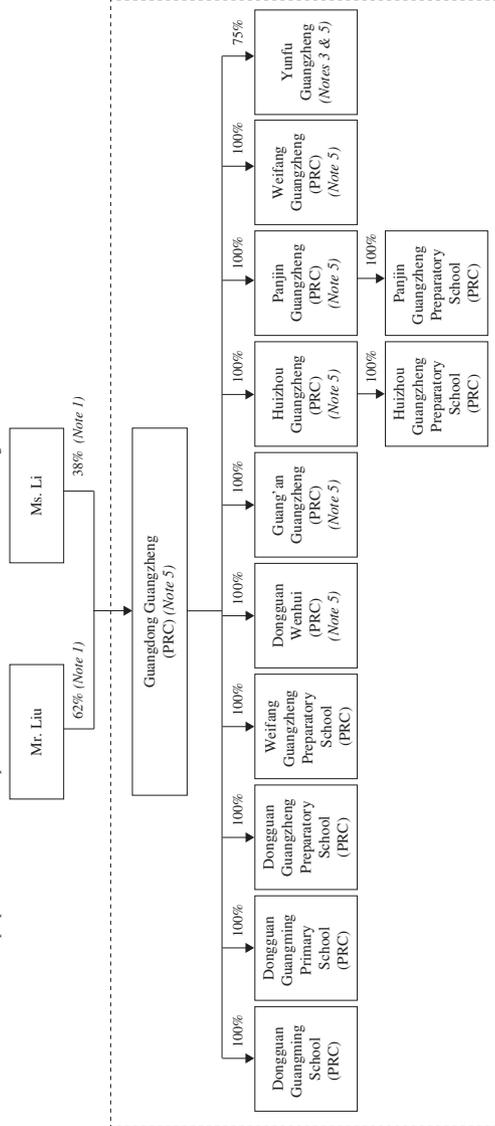
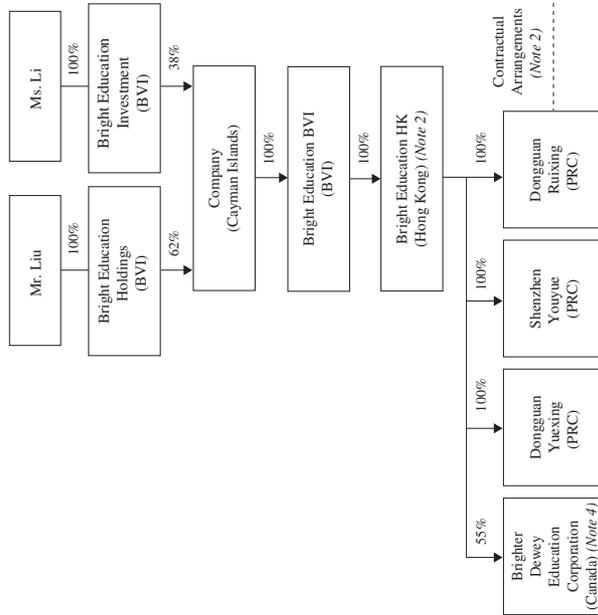
CORPORATE STRUCTURE

Corporate structure after Reorganisation and before the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganisation and prior to the completion of the Global Offering:

Notes:

- (1) Ms. Li is a co-founder of our Group and our Chief Executive Officer and an executive Director. Guangdong Guangzheng is legally held as to 98.8% by Ms. Li and 1.2% by Mr. SP Liu. Out of the 98.8% equity interest in Guangdong Guangzheng held by Ms. Li, 60.8% equity interest is held on trust by Ms. Li for Mr. Liu, who is another co-founder of our Group, an executive Director, our Chairman and one of our Controlling Shareholders. Mr. SP Liu is the father of Mr. Liu. The 1.2% equity interest in Guangdong Guangzheng is held on trust by Mr. SP Liu for Mr. Liu. Accordingly, Guangdong Guangzheng was beneficially owned as to 62% by Mr. Liu and 38% Ms. Li and Mr. Liu are parties acting in concert.
- (2) On 1 July 2016, Dongguan Ruixing and other parties entered into the Contractual Arrangements with our Consolidated Affiliated Entities. As at the Latest Practicable Date, Bright Education HK was in the process of setting up a wholly foreign-owned enterprise in Tibet, which we may designate as the service provider under the Exclusive Management Consultancy and Business Cooperation Agreement for the purpose of the Contractual Arrangements, in replacement of Dongguan Ruixing in the future where appropriate. Please refer to the section headed "Contractual Arrangements" for further details of the Contractual Arrangements and the potential benefits of using such wholly foreign-owned enterprise, which is being established in Tibet, under the Contractual Arrangements.
- (3) As at the Latest Practicable Date, Yunfu Guangzheng was owned as to 75% and 25% by Guangdong Guangzheng and Mr. Xie Runjiang, an Independent Third Party, respectively.
- (4) As at the Latest Practicable Date, Brighter Dewey Education Corporation was owned as to 55% by Bright Education HK and as to 45% by Dewey International Holdings Limited, an Independent Third Party.
- (5) These entities are engaged in, or are proposed to be engaged in, investment in both compulsory education and high school education as the school sponsor or the holding company thereof, as the case may be. They are not engaged in any other business other than the aforesaid. Please refer to the section headed "Contractual Arrangements – Operation of the Contractual Arrangements" for further details of how the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC laws and regulations.



OVERVIEW

We were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as of 1 September 2015, according to the Frost & Sullivan Report. Premium private schools offer higher quality education, more advanced educational facilities and a more satisfying environment to students through higher tuition fees than non-premium or mass market private schools, according to the Frost & Sullivan Report. As of 1 September 2016, we operated six premium private schools with a total student enrolment of 31,788 students.

We initially selected Dongguan, Guangdong province, to begin the development of our school network in 2003 based on its high population density, strategic location within the Pearl River Delta economic zone and rapidly expanding middle class population. In 2013, we expanded our school network to Huizhou, Guangdong province, another densely populated city with robust economic growth. After successfully establishing our presence and reputation in Guangdong province, we began to expand to other cities located in China's major economic zones. In September 2014, our school in Panjin, Liaoning province in the Northeast Three Provinces economic zone commenced operations. Our new school in Weifang, Shandong province in the Bohai Economic Rim economic zone commenced operations in September 2016 and recruited approximately 718 students as of 1 September 2016. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing.

Our educational objectives are “to serve the society with honesty and integrity through our services” and “to cultivate talents with a warm and loving heart” (以誠心服務社會, 以愛心培育人才). As an educational service provider, we believe we are entrusted to nurture the future of our society, and we therefore seek to provide our educational services in a manner consistent with the values and attitudes in which we believe. Our schools have received various awards in Guangdong province and in China, such as “Outstanding Private School in Dongguan” awarded by Dongguan Private Education Association in 2014, “Top 100 Education and Research Institution for Primary and Secondary Education in China” awarded by National Association of Primary and Secondary Education in 2013 and “Featured School for Traditional Sports in Guangdong (track and field)” awarded by the Sports Bureau and Department of Education of Guangdong Province in 2013.

We believe that we have a reputation for providing quality private education and that our brand name is well-known in and beyond the regions where our schools are located. For each of the 2013/2014, 2014/2015 and 2015/2016 school years, at least 94.8% of our high school graduates were admitted to universities in China, and for the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 18.4%, 21.4% and 23.2% of our high school graduates were admitted to First Class Universities in China, respectively. In addition to PRC educational programmes, we provide international programmes for our high school students. Graduates from our international programmes were admitted to reputable universities and colleges overseas. We offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture, in order to facilitate the well-rounded development of our students.

We experienced stable growth during the Track Record Period in terms of student enrolment, teachers employed and revenue. From the year ended 31 August 2014 to the year ended 31 August 2016, our total revenue increased at a CAGR of approximately 15.8%. The table below sets forth certain information with respect to our growth.

BUSINESS

	2013	As of 1 September		2016
		2014	2015	
Student enrolment	19,354	22,837	27,644	31,788
Number of teachers	1,162	1,359	1,666	1,960

	For the years ended 31 August		
	2014 (RMB million)	2015 (RMB million)	2016 (RMB million)
Total revenue	450.9	568.7	700.7

OUR STRENGTHS

We believe that the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

Largest private educational group in South China operating premium primary and secondary schools

We were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as of 1 September 2015, according to the Frost & Sullivan Report. As of 1 September 2016, we operated six premium private schools with a total student enrolment of 31,788 students, of which four are in Guangdong province, one is in Liaoning province and one is in Shandong province. As of 1 September 2016, 29,480 of our 31,788 students enrolled in our schools located in South China.

We established our first school in Dongguan, Guangdong province in 2003; our second and third schools commenced operations in Dongguan in 2004 and 2013, respectively; and we established our fourth school in Huizhou, Guangdong province in 2014. We have since become a leading private educational group in Guangdong province, a densely populated and economically developed province in South China. According to the National Bureau of Statistics of China, as of 31 December 2015, Guangdong province had a population of 108.5 million and contributed the largest GDP among all provinces and municipalities in China, accounting for 10.8% of the national total. After having successfully established our reputation and presence in Guangdong province, we expanded into the Northeast Three Provinces economic zone by establishing a school in Panjin, Liaoning province in 2014. Our new school in Weifang, Shandong province commenced operations in September 2016 and recruited approximately 718 students as of 1 September 2016. We experienced a rapid growth in terms of student enrolment, as presented in the table below:

School	Year of Establishment	Student Enrolment as of 1 September			
		2013	2014	2015	2016
South China					
Dongguan Guangming School	2003	10,580	10,416	10,417	10,510
Dongguan Guangming Primary School	2004	4,367	5,130	5,959	5,973
Dongguan Guangzheng Preparatory School	2013	4,151	5,820	7,768	9,094
Huizhou Guangzheng Preparatory School	2014	256	1,189	2,500	3,903
Other regions					
Panjin Guangzheng Preparatory School	2014	–	282	1,000	1,590
Weifang Guangzheng Preparatory School	2016	–	–	–	718
Total		<u>19,354</u>	<u>22,837</u>	<u>27,644</u>	<u>31,788</u>

BUSINESS

According to the Frost & Sullivan Report, the fast-growing middle class and their increasing awareness of well-rounded education, as well as government support have been and will continue to be the driving forces for the development of premium private education in China. According to the Frost & Sullivan Report, from 2012 to 2015, the total revenue of private fundamental education expenditure increased from RMB124.1 billion to RMB184.2 billion, representing a CAGR of approximately 14.1% and is expected to continue to increase at a CAGR of approximately 12.1% to RMB325.5 billion from 2015 to 2020. We believe that the private education industry has strong growth potential and that we are able to capitalize on the business opportunities in the private education market based on our established reputation and school network.

All of our schools have received government support, which we believe give us access to resources that may not be available to other private schools, including high quality teachers, government administered teacher and school principal training programmes, government support in student recruitment activities, government assistance with regulatory filings and applications and preferential policies on land allocation or assignment. We believe that the relevant government authorities take a prudent approach in choosing cooperation partners and have selected our schools based on our reputation, efficient management and the quality of our educational programmes. In particular, the local government of Panjin granted us free land use rights, provided government grants and assigned experienced teachers to support the establishment of our Panjin Guangzheng Preparatory School. We believe that we are well positioned to continue to receive support from the relevant government authorities in our existing markets and in the markets into which we seek to penetrate. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities. Pursuant to the cooperation agreements, the local government authorities have agreed to provide various types of support to our new schools, including granting land use rights for free or at a designated price, providing preferential policies and offering assistance to help facilitate campus construction and school operations.

Strong reputation for student performance and high quality PRC curriculum programmes

We focus on providing high quality PRC curriculum programmes for primary and secondary school students and emphasize the well-rounded development of our students. We believe that our brand name is well-known in and beyond the regions where our schools are located. For each of the 2013/2014, 2014/2015 and 2015/2016 school years, 94.8% of our high school graduates were admitted to universities in China. According to the Frost & Sullivan Report, the national average admission rate to universities was 38.7% and 38.9% for the 2014/2015 and 2015/2016 school years, respectively. In addition, for the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 18.4%, 21.4% and 23.2% of our high school graduates were admitted to First Class Universities in China, respectively. According to the Frost & Sullivan Report, the provincial admission rate to First Class Universities in Guangdong was 8.6% and 10.0% for 2014/2015 and 2015/2016 school years, respectively. In the 2016 PRC national higher education entrance examination, one of our high school graduates was ranked in the top 10 and one was ranked in the top 20 in Guangdong province in terms of the total exam scores achieved, and 10 of our high school graduates were admitted to Peking University and Tsinghua University. We provide various resources to help our students prepare for standardised examinations for higher education, including exam preparation lectures by experienced teachers, practice tests, mock exams and review courses.

In order to emphasize the well-rounded development of our students, we offer a wide range of school-based elective courses, including courses for sports, art, music, Chinese culture, as well as activities for the development of the moral character of our students. As a private education group operating premium primary and secondary schools, we are able to encourage our students to pursue their interests from an early age and to continuously provide them with different levels of courses to enhance such interests.

BUSINESS

Our students have made significant achievements in areas such as basketball, track & field, martial arts, music, dance and Chinese calligraphy. Our Dongguan Guangming School high school male basketball team has won various national, provincial and municipal championships and our students have obtained various national, provincial and city prizes in Chinese calligraphy, choral and dancing competitions. Our Dongguan Guangming School was designated as the Sports-Specialty Students Training Base for Tsinghua University in 2009 and the Youth Basketball Training Base for Guangdong Province in 2011. In September 2015, our Dongguan Guangming School high school male basketball team was invited to attend the prestigious Iolani Classic Basketball Tournament held in Honolulu, Hawaii.

We consistently seek to facilitate our students' moral development and organise annual "Inspirational Students Award" events to reward students who have demonstrated outstanding moral character and personalities. We also participate, and encourage our students to participate, in a variety of social service activities, including elderly service programmes, local community volunteering and donating to Sichuan earthquake relief initiatives. In order to produce worthy and capable, sincere and upright graduates, we have sought to uphold our educational objective, namely, "serving the society with honesty and integrity through our services and cultivating talents with a warm and loving heart". We established a Love & Care Foundation to offer financial assistance to students whose families face financial difficulties and provide annual scholarships to students from low-income families. Please refer to "– Our Educational Philosophy" below for further details.

We have a team of qualified and committed teachers as we believe the quality of teachers is critical to the success of our schools. As of 1 September 2016, we employed 1,960 teachers and over 79% of our PRC-qualified teachers held bachelors or higher degrees. We provide competitive compensation to attract and retain good teachers, offer training and personalised support to our teachers and continuously monitor the teaching quality at our schools.

High business visibility through offering a full range of primary and secondary curriculum programmes

We offer both primary and secondary school curriculum programmes, which allows us to attract students at an early age and create a stable student pipeline for our schools. For the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 86.9%, 82.4% and 83.3% of our primary school graduates enrolled in our middle schools, and approximately 51.9%, 54.9% and 58.7% of our middle school graduates enrolled in our high schools. As a substantial percentage of our primary and middle school students chose to continue to enroll in our schools upon graduation during the Track Record Period, our schools were able to maintain stable student enrolment without having to incur significant marketing costs and thus were able to achieve solid track record of stable revenue growth and high profit margins, leading to high business visibility of our schools. We believe that the continuity of the curriculum offered by our primary and secondary schools and the offering of art, music and sports classes from an early age at our schools have also contributed to the attractiveness of our schools and thus our business visibility. In addition, we believe that our offering of a full range of primary and secondary curriculum programmes provides us with certain advantages of economies of scale, including the ability to attract and retain qualified teachers, the ability to offer various extra-curricular courses, leverage in negotiations with suppliers for lower costs and reduced fixed costs per student.

We believe our reputation, market leadership, advanced educational facilities and our school capacities enable us to attract and retain large student bodies, which allows us to increase revenue without incurring significant additional costs. We believe our profitability largely reflects the economies of scale present at our schools. For the years ended 31 August 2014, 2015 and 2016, our adjusted net profit margin was 26.3%, 30.4% and 26.5%, respectively.

Successful track record in replicating our profitable business model

We believe we are able to successfully and efficiently replicate our business model of operating reputable schools with high profit margins. We established our first and second schools in Dongguan and have successfully expanded our school network in Guangdong province in the Pearl River Delta economic zone and into other economic zones. Our new school in Weifang, Shandong province in the Bohai Economic Rim economic zone commenced operations in September 2016 and we have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing.

In order to leverage on the success of our Dongguan Guangming School and Dongguan Guangming Primary School, we apply consistent principles in all of our schools in terms of school objective, educational philosophy and management approaches, and utilise consistent systems and guidelines in all of our schools in terms of student recruitment, curriculum, teaching methods, student discipline, parent communication and daily operations. In 2014, we successfully replicated our business model in Huizhou, Guangdong province by establishing Huizhou Guangzheng Preparatory School. We assigned principals, teachers and staff who are well-trained school managers to our school in Huizhou to help implement our principles, systems and guidelines and to provide training and on-going support. We believe the success of our business model is demonstrated by our ability to quickly commence operations at our Huizhou school and the significant interest the school attracted at its early stage of operations. As of 1 September 2015 and 2016, we had 2,500 and 3,903 students enrolled in our Huizhou Guangzheng Preparatory School, representing a year-on-year growth of 110.3% and 56.1%, respectively. We believe our school in Huizhou continues to hold significant potential for further scalability, and therefore increased profitability. Adopting a similar approach, student enrolment in our Panjin Guangzheng Preparatory School increased to 1,000 students within one year from its commencement of operations and to 1,590 as of 1 September 2016.

In addition, we are able to operate our schools efficiently through a centralized core management team, comprehensive and detailed guidelines, collective procurement and internal control measures, which we believe have substantially contributed to cost savings and increasing our profit margins.

Committed and stable management team

We have an experienced and stable management team with extensive knowledge in business management and the PRC private education industry. Our management team consists of our executive Directors and senior management, including principals of our schools.

Mr. Liu Xuebin (chairman of the Board and an executive Director) and Ms. Li Suwen (our chief executive officer and an executive Director) co-founded our first school in Dongguan in 2003 and have since led us to become a leading provider of private primary, middle and high school education in China. Mr. Liu has over 20 years of experience in business management and over 10 years of experience in the PRC private education industry. Mr. Liu completed a graduate programme on project management from the Economics Department of Peking University in March 2004. In recognition of his accomplishments and contribution to the society, Mr. Liu received the World Outstanding Chinese Award granted by the World Chinese Business Investment Foundation in 2007. Ms. Li has over 10 years of experience in the PRC private education industry and is responsible for the overall business strategy and development of our schools and our Group. Mr. Li Jiuchang, our vice president and executive Director, has been with our Group since its establishment in 2003. Mr. Li has over 12 years of experience in the PRC private education industry and is responsible for the overall management of our schools. Mr. Ng Cheuk Him, our chief financial officer and an executive Director, is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Chartered Secretaries. Mr. Ng has over 15 years of experience in financial management, investment and mergers and acquisitions, and is responsible for the overall financial management and corporate governance of our Group.

BUSINESS

Each of our schools is managed on a day-to-day basis by its principals, who are assisted by several vice principals. All principals and vice principals of our schools are seasoned educators with extensive experience in the education industry. Mr. Wang Yongchun, the high school principal of our Dongguan Guangming School, and Mr. He Shan, the executive vice principal of our Panjin Guangzheng Preparatory School, have been with our Group since its establishment in 2003. Mr. Wang and Mr. He each has over 10 years of experience as teachers and school administrators and have worked various positions within our Group. Mr. Du Shuangxi, the vice principal of our Dongguan Guangming Primary School, and Mr. Zhang Jingfeng, the principal of our Huizhou Guangzheng Preparatory School, joined our Group in 2006. Mr. Du has more than 14 years of experience as a teacher and school administrator and was awarded “National Top 100 Academic Leaders for Primary and Middle School Education” in 2010. Mr. Zhang has over 14 years of experience as a teacher and school administrator and worked as the vice principal of our Dongguan Guangming School before becoming the principal of our Huizhou Guangzheng Preparatory School. Ms. Chen Xi, the middle school principal of our Dongguan Guangming School and Dongguan Guangzheng Preparatory School, joined our Group in 2007. Ms. Chen has over 29 years of experience as a teacher and school administrator and has published several articles on education and school management.

We manage our schools through a centralized managing system, including a core management team and centralized finance, human resources and information technology systems. Many members of our management team, school principals and mid-level managers of our schools have worked as teachers at our schools and therefore have in-depth understanding of our culture and the operations of our schools.

OUR STRATEGIES

We intend to pursue the following business strategies:

Continue to enhance our reputation as a leading provider of premium private primary and secondary school education

Academic performance is one of the key factors that prospective parents and students consider when selecting schools. In order to maintain and improve the quality of education in our schools, we plan to continue to monitor the academic performance of our students, provide tailored guidance to our students, grant scholarships and subsidies to encourage academic achievements and maintain active contact with parents to seek their feedback on our schools. We will continue to emphasize the well-rounded development of our students. We intend to review, adjust and expand from time to time our school-based elective courses in order to provide a happy learning environment that stimulates interests and helps build the confidence of our students. We believe good teachers and appropriate teaching methods are critical to the success of our schools. We will continue our efforts to recruit and retain high-quality teachers. We plan to further enhance discussion and experience-sharing among our teachers by holding regular group meetings and subject-specific seminars. We also plan to organise campus visits to, and exchange programmes with, other schools and educational institutions from time to time, with a view to provide our teachers with insights on the latest teaching methods and approaches. In addition, we intend to further promote our brand name through various marketing channels, including increasing media coverage of our schools and our Group, conducting promotional events, donating to good causes, organizing campaigns to help the underprivileged groups and participating in community services.

Increase the utilisation rate of our existing schools

We intend to increase the utilisation rate of our schools, especially our relatively recently established schools in Huizhou and Panjin. We believe a further increase of student enrolment at our existing schools can help us further improve our financial results. For our schools in Dongguan, which we believe are more established and influential amongst parents and students, we intend to attract more students primarily through public recognition of our brand name and word-of-mouth referrals. For our schools in Huizhou and Panjin, which were established relatively recently, we intend to further promote our brand name and strengthen our student recruitment efforts, including advertising through newspapers and other media, visiting potential feeder schools to introduce our educational programmes, inviting prospective parents and students for campus tours, distributing information booklets, providing free trial classes and providing scholarships and tuition discounts. We plan to continue to encourage our primary and middle school students to enrol in our middle and high schools, respectively, by offering priority to our students in the admission process. In addition, we intend to upgrade and expand our facilities, further improve the curriculum and course contents we offer and employ additional high quality teachers in our schools, which we believe will help attract more high quality students to enrol in our schools.

Continue to focus on the Pearl River Delta economic zone and strategically expand in or into other economic zones to enlarge our school network

As of the Latest Practicable Date, we had established four schools in Guangdong province in the Pearl River Delta economic zone. We intend to continue to strengthen our leading position in the Pearl River Delta economic zone with a focus on Guangdong province. We have entered into a cooperation agreement with the local government of Yunfu, Guangdong province to establish a new school in the city, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing. We also intend to engage in discussions with the local government authorities of various other cities in Guangdong province to explore the possibility of establishing a new school in each city.

In addition, we have expanded into the Northeast Three Provinces economic zone by establishing a school in Panjin, Liaoning province, which commenced operations in September 2014, and into the Bohai Economic Rim economic zone by establishing a school in Weifang, Shandong province, which commenced operations in September 2016 and recruited 718 students as of 1 September 2016. The school offers primary and middle school education for the 2016/2017 school year. We intend to further expand into the West Delta economic zone and have entered into a cooperation agreement with the local government of Guang'an, Sichuan province to establish a new school in the city. We also intend to engage in discussions with the local government authorities of various cities in Shandong and Sichuan provinces to explore the possibility of establishing a new school in each city.

We consider various factors when selecting the location for our new schools, including geographic location, economic development, social and cultural environment, population, number of school-aged children, birth rate, average household income, government support and competition. Moreover, we generally choose to establish new schools in regions that we believe have high growth potential and relatively less competition in the premium private education market.

We plan to establish new schools primarily through constructing our own schools with government support or partnering with local schools that are reputable and have stable student enrolment. We may also expand our school network through acquisition of high-quality local schools. To identify suitable acquisition targets, we plan to use various methods including providing management services to a potential target school to gain a better understanding of the school's business and operations, conducting due diligence on potential target schools and seeking references from third parties.

Enhance profitability by optimizing pricing strategies and increasing revenue sources

We expect tuition and boarding fees to continue to be the primary source of our revenue. We intend to upgrade and expand our facilities, further improve the contents of the courses we offer and employ additional high quality teachers in our schools, which we believe will help us remain attractive to prospective parents and students even at higher tuition levels. Subject to regulatory approval and market conditions, we plan to increase tuition and boarding fees in schools where we believe there is high demand for our educational programmes and where we have built sufficient parent and student loyalty. We believe that our economies of scale enable us to improve our facilities and educational programmes in the manner necessary to attract new students at lower costs than schools with a smaller student body.

Continually adapt to changing educational preferences in target markets

We believe that education plays an important role in the development of modern society. We have successfully serviced and capitalised on the educational demands for premium private primary, middle and high school education in the past and intend to continue to contribute to China's development by providing high quality educational services to our students. We believe globalization and economic development has created an increasing demand for international schools and international programmes. We intend to continually monitor the educational preferences of our target consumer group and adapt to such preferences by making changes to our services accordingly, which may include adjusting the contents of courses offered at our schools, offering additional school-based elective courses and gearing our facilities towards attractive features. To foster the quality of our services, we intend to cooperate with renowned institutions that have extensive experience in operating educational programmes overseas. In February 2016, we entered into a memorandum of understanding with Dewey College, an independent high school subject to inspection by the Ontario Ministry of Education, Canada, with respect to the parties' proposed cooperation in establishing a private school in Canada, offering secondary and pre-university education, as well as other proposed cooperation in international education. As at the Latest Practicable Date, we had established a subsidiary in Canada, which is a joint venture company with Dewey International Holdings Limited for our potential investment and development of a new school in Canada.

OUR EDUCATIONAL PHILOSOPHY

Our educational objectives are “to serve the society with honesty and integrity through our services” and “to cultivate talents with a warm and loving heart” (以誠心服務社會, 以愛心培育人才)”. To achieve our objectives, we have established the following educational philosophy: enhance morality and foster talents; nurture worthy and capable, sincere and upright graduates (賢良方正, 立德樹人). As an educational service provider, we seek to provide our educational services in a manner consistent with the values and attitudes in which we believe. We established a Love & Care Foundation to offer financial assistance to students whose families are in difficulties, provide annual scholarships to students from low-income families and organized a successful fundraising event to help one of our teachers fight cancer.

BUSINESS

With the aim of facilitating the well-rounded development of our students, we offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture. In order to emphasize the moral aspects of our education, we encourage our students to participate in a variety of social services, including serving the elderly, volunteering in local communities and donating to Sichuan earthquake relief initiatives. We also organize free summer camps for children from under-privileged regions in China. We consistently seek to reward positive behavior and foster our students' capability for moral reasoning. In our annual "Inspirational Students Award" event, we reward students who have demonstrated outstanding moral character and personalities. In addition, we believe our teachers have acted as positive role models to our students. For instance, one of our teachers donated his entire annual salary to under-privileged children in Western China to support their educational programmes.

OUR SCHOOLS

As of the Latest Practicable Date, we operated six premium private schools on five campuses. Four of our schools are located in Guangdong province in the Pearl River Delta economic zone: Dongguan Guangming School, Dongguan Guangming Primary School (located at the same campus site as Dongguan Guangming School), Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School. Our fifth school, Panjin Guangzheng Preparatory School, is located in Liaoning province in the Northeast Three Provinces economic zone. Panjin Guangzheng Preparatory School commenced operations in September 2014 and is our first school outside of Guangdong province as part of our expansion strategy. In addition, our new school in Weifang, Shandong province in the Bohai Economic Rim economic zone commenced operations in September 2016 and recruited approximately 718 students as of 1 September 2016.

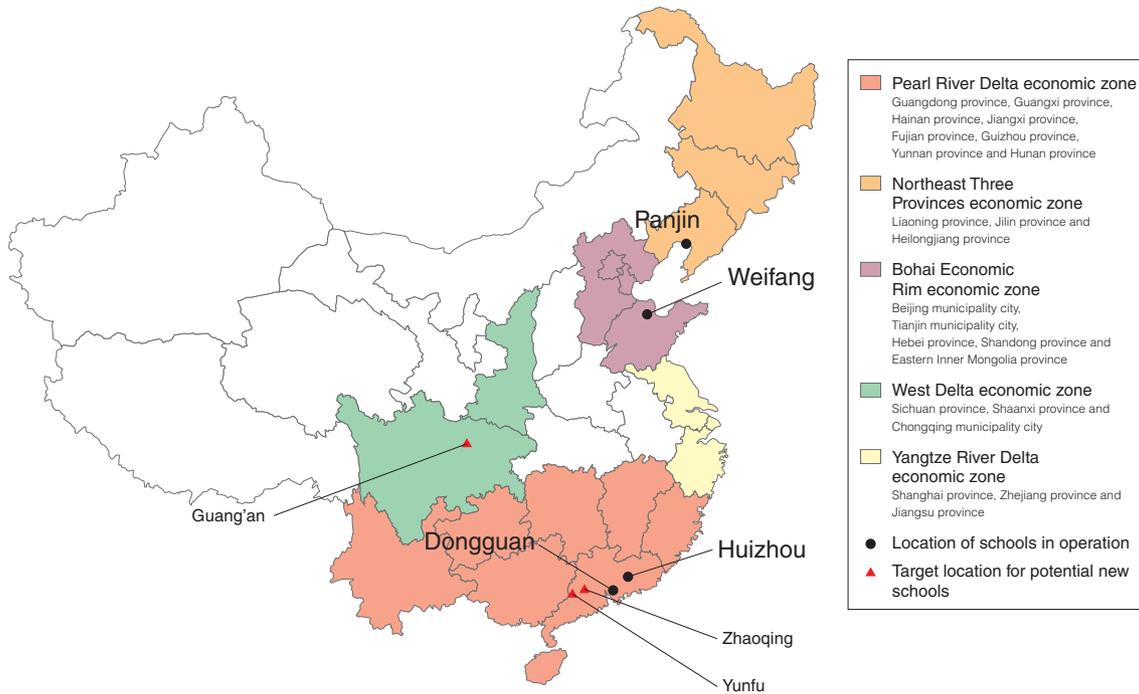
The following table sets forth the type of education that we provide in each of our schools:

School	Primary School	Middle School	High School	
	PRC Curriculum Programme	PRC Curriculum Programme	PRC Curriculum Programme	International Programme
Dongguan Guangming School		√	√	√
Dongguan Guangming Primary School	√			
Dongguan Guangzheng Preparatory School	√	√	√	√
Huizhou Guangzheng Preparatory School	√	√	√	
Panjin Guangzheng Preparatory School	√	√		
Weifang Guangzheng Preparatory School	√	√		

As of the Latest Practicable Date, we entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing. We also intend to engage in discussions with the local government authorities of various cities in Guangdong, Shandong and Sichuan provinces to explore the possibility of establishing a new school in each city. In addition, in February 2016, we entered into a memorandum of understanding with Dewey College, an independent high school subject to inspection by the Ontario Ministry of Education, Canada, with respect to the parties' proposed cooperation in establishing a private school in Canada, offering secondary and pre-university education, as well as other proposed cooperation in other areas of international education. Please refer to "– Development of New Schools" below for further details of our plans for the development of new schools.

BUSINESS

The following map sets forth the geographical location of our schools as of the Latest Practicable Date, as well as our school under construction and the proposed location for our schools in the PRC to be built in the future:



Each of our schools offers a PRC curriculum programme that is tailored to, among other things, the learning patterns and interests of the student body of the respective school, as well as the cultural and social characteristics of the city in which the school operates. We also offer international programmes at two of our schools. All of our schools are boarding schools with on-campus dormitories.

As of 31 December 2016, the total site area of the parcels of land on which our schools are developed ranged from 24,192.0 sq.m. to 206,340.7 sq.m.. As of 1 September 2016, our schools' existing capacity for students ranged from 752 to 10,744 students. We equip our schools with advanced education facilities, which enables us to offer a variety of courses. Our school facilities generally include classrooms, multi-media rooms, a gymnasium, outdoor fields, sports courts (such as basketball, badminton or soccer courts), table tennis centres, laboratories, library, art rooms (such as dancing and drawing rooms), administrative offices, canteen, laundry rooms and student dormitories, as well as staff apartments. We also offer school supplies, daily necessities and other items at our schools for the convenience of our students.

BUSINESS

Number of Students

As of 1 September 2016, we had a total student enrolment of approximately 31,788 students, including 7,733 high school students, 12,509 middle school students, 11,199 primary school students and 347 students in the international programmes. The following table sets forth information with respect to the approximate student enrolment, capacity and utilization rate of each of our schools as of the dates indicated:

School	Student Enrolment as of 1 September				Capacity for Students ⁽¹⁾ as of 1 September				School Utilisation Rate (%) ⁽¹⁾ as of 1 September			
	2013 ⁽²⁾	2014 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽⁵⁾	2013 ⁽²⁾	2014 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽⁵⁾	2013 ⁽²⁾	2014 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽⁵⁾
Dongguan Guangming School⁽⁶⁾												
High school	3,362	2,908	2,744	2,656	3,394	2,954	2,760	2,852	99.1	98.4	99.4	93.1
Middle school	7,160	7,421	7,588	7,780	7,168	7,424	7,680	7,792	99.9	100.0	98.8	99.8
International programme	58	87	85	74	68	88	92	100	85.3	98.9	92.4	74.0
Subtotal	10,580	10,416	10,417	10,510	10,630	10,466	10,532	10,744	99.5	99.5	98.9	97.8
Dongguan Guangming Primary School												
	4,367	5,130	5,959	5,973	4,858	5,496	6,062	6,060	89.9	93.3	98.3	98.6
Dongguan Guangzheng Preparatory School												
High school	1,576	2,260	3,187	3,684	3,856	3,416	4,040	4,024	40.9	66.2	78.9	91.6
Middle school	1,113	1,523	1,942	2,319	1,296	1,592	1,952	2,416	85.9	95.7	99.5	96.0
Primary school	1,314	1,885	2,421	2,818	1,336	1,926	2,822	2,986	98.4	97.9	85.8	94.4
International programme	148	152	218	273	208	208	224	280	71.2	73.1	97.3	97.5
Subtotal	4,151	5,820	7,768	9,094	6,696	7,142	9,038	9,706	62.0	81.5	85.9	93.7
Huizhou Guangzheng Preparatory School												
High school	–	372	903	1,393	–	624	1,312	1,418	–	59.6	68.8	98.2
Middle school	166	459	914	1,423	576	624	1,208	1,456	28.8	73.6	75.7	97.7
Primary school	90	358	683	1,087	368	679	945	1,150	24.5	52.7	72.3	94.5
Subtotal	256	1,189	2,500	3,903	944	1,927	3,465	4,024	27.1	61.7	72.2	97.0
Panjin Guangzheng Preparatory School												
Middle school	–	81	304	601	–	448	448	868	–	18.1	67.9	69.2
Primary school	–	201	696	989	–	240	1,007	998	–	83.8	69.1	99.1
Subtotal	–	282	1,000	1,590	–	688	1,455	1,866	–	41.0	68.7	85.2
Weifang Guangzheng Preparatory School												
Middle school	–	–	–	386	–	–	–	392	–	–	–	98.5
Primary School	–	–	–	332	–	–	–	360	–	–	–	92.2
Subtotal	–	–	–	718	–	–	–	752	–	–	–	95.5
Total	19,354	22,837	27,644	31,788	23,128	25,719	30,552	33,152	83.7	89.0	90.5	95.9

Notes:

- (1) As all of our schools are boarding schools, capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal records and calculations. School utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school. Although we have calculated our schools' respective capacity based on the number of beds available, we believe the facilities at our Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School may accommodate additional beds without material capital expenditure (subject to the receipt of necessary approvals).
- (2) Represents the beginning of the 2013/2014 school year.
- (3) Represents the beginning of the 2014/2015 school year.
- (4) Represents the beginning of the 2015/2016 school year.
- (5) Represents the beginning of the 2016/2017 school year.
- (6) Capacity for students for the high school section of Dongguan Guangming School decreased as we reallocated certain student dormitories to the middle school section based on student enrolment.

Educational Programmes and Curriculum

Each of our schools offers a PRC curriculum programme at the primary school, middle school or high school level, as applicable. We also offer international programmes at Dongguan Guangming School and Dongguan Guangzheng Preparatory School. Our programmes emphasize four key aspects: enjoyable learning, student-centred teaching, skills-based training and talent fostering.

PRC Curriculum Programmes

Our PRC curriculum programmes comprise the curriculum mandated by the PRC regulatory authorities, together with individualized school-based elective courses. We offer courses such as Chinese, Mathematics, English and Moral Education under the curriculum mandated by the PRC regulatory authorities. As a private educational group, we have flexibility in designing additional elective courses in order to develop an individualized school-based curriculum for each of our schools based on, among other things, the learning patterns and interests of the respective student body as well as the cultural and social characteristics of the city in which the respective school operates. The elective courses we have developed generally fall within one or more of five categories: (i) extended learning in core subjects; (ii) learning habits and everyday life skills; (iii) personal development and moral character; (iv) music, sports and art; and (v) creative thinking and technological innovation. We believe our individualized school-based courses are well received by our students.

All courses under the PRC government mandated curriculum are taught by PRC-certified teachers using textbooks and materials designated by relevant PRC authorities. Students who have passed all courses under the PRC government mandated curriculum are eligible for PRC primary or secondary school diplomas, as applicable. All courses under the school-based curriculum are taught by PRC-certified or foreign teachers. Students are encouraged but not required to enroll in school-based courses.

International Programmes

We offer international programmes at two of our schools: Dongguan Guangming School and Dongguan Guangzheng Preparatory School. We offer two types of international programmes, (i) a one-year programme that admits high school graduates or third year high school students, preparing them for their studies overseas and (ii) a three-year programme that admits first year high school students and certain second year high school students, offering ACT, A Level or IGCSE courses. Please refer to “– Dongguan Guangming School” and “– Dongguan Guangzheng Preparatory School” below for further details of our international programmes.

Extra-Curricular Programmes

Our extra-curricular programmes enable us to further refine our individualized school-based educational programmes. We offer a wide range of extra-curricular programmes designed to enable the well-rounded development of our students into lifelong learners. Our extra-curricular programmes are designed to stimulate scientific interests, enhance social understanding, promote cross-cultural communication and develop self-care abilities. Extra-curriculum activities are optional, some of which are offered by our schools in cooperation with parties, which are to the best knowledge of the Directors, Independent Third Parties.

Student Placement

For each of the 2013/2014, 2014/2015 and 2015/2016 school years, at least 94.8% of our high school graduates were admitted to universities in China, and for the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 18.4%, 21.4% and 23.2% of our high school graduates were admitted to First Class Universities in China. In the 2016 PRC national higher education entrance examination, one of our high school graduates was ranked in the top 10 and one was ranked in the top 20 in Guangdong province in terms of the total exam scores achieved, and 10 of our high school graduates were admitted to Peking University and Tsinghua University. We offer various resources to help our students prepare for the PRC national higher education entrance examination, including exam preparation lectures by experienced teachers, practice tests, mock exams and review courses. Graduates from our international programmes were admitted to reputable universities and colleges overseas.

For the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 51.9%, 54.9% and 58.7% of our middle school graduates enrolled in our high schools, and approximately 86.9%, 82.4% and 83.3% of our primary school graduates enrolled in our middle schools.

We provide scholarships to students who achieve academic excellence and provide cash awards of up to RMB100,000 to high school graduates who are admitted to top-tier universities in China.

Counsellors

For each of our schools, we have a team of counsellors to provide care, support and guidance to our students. Our counsellors work with our students outside of the classrooms, overseeing their safety and wellbeing while they stay on campus. Our counsellors are available to provide 24-hour services to students. For grade 1-3 primary school students, our counsellors assist students with their daily routines and teach students independent living skills. For grade 4-6 primary school students, our counsellors teach them social skills and help build their independence from a very young age. For middle and high school students, our counsellors supervise their dormitories to provide orderly, safe, clean and healthy living conditions for our students. We also provide on-campus medical staff and mental-health counsellors to create a healthy and safe campus environment for our students. Please refer to “– Health and Safety Matters” below for further details.

Management of Schools

Major decisions and policies concerning our schools such as school principal nominations, tuition levels, the construction of material new facilities and the use of significant funds are determined by Guangdong Guangzheng, our PRC subsidiary. Guangdong Guangzheng oversees day-to-day school management affairs through a review and reporting system, which requires each school to report material activities such as significant procurement and significant personnel changes to Guangdong Guangzheng for its review. Guangdong Guangzheng monitors the financial activities of each school through biannual and periodic audits from time to time. Guangdong Guangzheng also oversees school management through periodic joint principal meetings, at which school principals report to Guangdong Guangzheng on school developments and major issues. Each of our schools is managed on a day-to-day basis by its principals, who are assisted by several vice principals. Each

vice principal is responsible for one or more specific aspects of each school's operations, such as educational curriculum, student admissions, moral education, security and logistics, student affairs and human resources. All of our school principals and vice principals have extensive experience in education and school administration. We believe this management system allows us to maximize the capabilities of our educators and administrative personnel to enhance the quality of education we provide and promote students' well-being.

To facilitate parent-school communication and to timely obtain feedback from our students' parents, we set up parents committee at each of our schools comprising of parent-representatives from each grade. The parents committees act as a liaison between the school and parents and allows parent to voice their opinions about our schools. We also organize a variety of events and activities for our students' parents, such as teacher-parent meetings, mom chorus, dad basketball teams, parent-in-the-classroom day and parent inspection groups during exam periods. We believe these events and activities strengthened the relationship between our schools and our students' parents and contributed to creating a harmonious learning environment.

Government Support and Grants

All of our new schools or schools in planning, such as Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and Guang'an Guangzheng Preparatory School, have received government support, which we believe gives us access to resources that may not be available to other private schools, including high quality teachers, government administered teacher and school principal training programmes, government support in student recruitment activities, government assistance with regulatory filings and applications and preferential policies on land allocation or assignment. We believe that the relevant government authorities take a prudent approach in choosing cooperation partners and have selected our schools based on our reputation, efficient management and the quality of our educational programmes. As part of our growth strategies, we will seek to obtain equivalent level of government support for our new schools.

Three of our schools, Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School have received discretionary government grants for the school activities we organized or the academic achievements of our students. For the 2013/2014, 2014/2015 and 2015/2016 school years, the total amount of government grants our schools received amounted to RMB0.6 million, RMB1.5 million and RMB2.0 million, respectively.

Tuition and Boarding Fees

We charge our students tuition and boarding fees and for the ancillary services provided at our schools. To attract students with academic excellence or specialties in sports, music or art to enroll in our schools, we offer partial tuition fee waiver to a certain percentage of our middle and high school students who have achieved relatively high test scores in the standardized middle or high school entrance exams or who have specialties in sports, music or art each school year. For the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 12.4%, 11.1% and 9.9% of our students were offered partial tuition fee waiver in recognition of their academic excellence or specialties in sports, music or art and paid tuition fees that were lower than our normal tuition fees. In addition, we charge higher tuition fees to a small number of high school students who were admitted to our high schools from the waiting list administered by the relevant education bureau. For the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 3.6%, 3.9% and 4.0% of our students in our high schools paid higher tuition fees. We also offer discounted tuition fee rates to children of our teachers and staff who enrol in our schools. The staff tuition fee rates are half of the normal tuition fee.

BUSINESS

The following table sets forth the tuition and boarding fee rates applicable to the majority of our students for the 2013/2014, 2014/2015 and 2015/2016 school years. Tuition and boarding fee rates applicable to a small percentage of our students who receive partial tuition fee waiver, receive discounted tuition fee rates as a result of one or more of the aforementioned circumstances are not included.

	Tuition and Boarding Fees ⁽¹⁾			
	2013/2014 school year	2014/2015 school year	2015/2016 school year	2016/2017 school year
	(RMB)	(RMB)	(RMB)	(RMB)
Dongguan Guangming School				
High school	18,700- 21,200	23,000- 25,200	23,000- 25,200	25,600- 38,600
Middle school	17,100- 19,800	21,000- 23,200	21,000- 23,200	23,600- 27,600
International programmes	92,600	92,600	92,600	92,600
Dongguan Guangming Primary School				
	14,200- 18,600	15,040- 21,000	15,040- 21,000	18,180- 24,400
Dongguan Guangzheng Preparatory School				
High school	20,000	20,400- 22,400	20,400- 22,400	22,800- 33,800
Middle school	18,000	18,000- 19,400	18,000- 19,400	19,800- 23,000
Primary school	16,000	16,400- 18,000	16,400- 18,000	16,600- 21,200
International programmes	36,200- 52,000	50,600- 88,600	50,600- 88,600	50,600- 88,600
Huizhou Guangzheng Preparatory School				
High school	— ⁽²⁾	23,000 ⁽³⁾	23,000 ⁽³⁾	23,000- 25,600
Middle school	18,000	18,000	18,000	18,000- 20,600
Primary school	18,200	18,200	18,200	18,200- 20,800
Panjin Guangzheng Preparatory School				
Middle school	— ⁽⁴⁾	18,000	18,000	18,000
Primary school	— ⁽⁴⁾	13,000- 14,200	13,000- 14,200	13,000- 14,200
Weifang Guangzheng Preparatory School				
Middle school	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	13,000
Primary school	— ⁽⁴⁾	— ⁽⁴⁾	— ⁽⁴⁾	11,000

Notes:

- (1) We increased tuition and boarding fees prior to and during the Track Record Period for certain of our schools. Our increased tuition and boarding fees may only apply to newly admitted students for the respective school year, while our existing students may continue to pay the tuition and boarding fees prior to the increase. As a result, tuition and boarding fees for certain of our schools are presented as a range, which include the tuition and boarding fees paid by students who are admitted to our schools at different school years. Tuition fees for certain of our schools include miscellaneous fees such as medical examination fee and course material fee.
- (2) High school section of the school did not admit any students for the school year.

BUSINESS

- (3) We did not obtain the fee permit for the high school section of the school for the 2014/2015 and 2015/2016 school years, respectively. On 15 July 2016, the Development and Reform Commission of Huizhou, being the competent government authority for price regulation, issued written confirmation confirming that the school had passed all inspections conducted by the authority since its establishment and had not been subject to penalties for violating the relevant laws and regulations on price regulation.
- (4) The school did not commence operations for the school year.

There are two school terms in each school year. Tuition fees and boarding fees are generally paid in advance prior to the beginning of each school term and are recognised as revenue proportionately each month over the period of the relevant educational programmes. We typically refund 90% of the tuition fees paid if a student withdraws before the school term starts, 70% if the student withdraws after the school term starts but before the end of the first calendar month of the school term, 50% if the student withdraws after the first calendar month and prior to the end of the second calendar month of the school term, and 30% if the student withdraws after the end of the second calendar month and prior to the end of the third calendar month of the school term. We do not offer refund of tuition fees paid if the student withdraws after the end of the third calendar month of the school term. According to our PRC Legal Adviser, our school refund policies are in compliance with the applicable PRC laws and regulations.

The following table sets forth the number of students withdrawn from our schools and the amount of tuition fee refunds paid by us in the respective school year indicated below:

	2013/2014	School year 2014/2015	2015/2016
Total number of students withdrawn from our schools (percentage of the total student enrolment)	111 (0.6%)	141 (0.6%)	209 (0.8%)
Amount of tuition fee refunds paid by us	RMB0.7 million	RMB0.9 million	RMB1.3 million

Ancillary Services

All our schools are boarding schools and we provide dormitories for boarding students who live on-campus Monday through Friday during school terms. To promote the health and welfare of our students, we provide ancillary services at our schools, including on-campus canteens and medical rooms, for which we charge separately in addition to tuition and boarding fees.

Canteens

Each of our schools has an on-campus canteen that offers meals for our students and staff. Middle and high school students choose their meals from the canteen menus and primary school students are offered set meals at the canteens. Middle and high school students use their prepaid on-campus identity cards to make payments when the meals of their choice are delivered. Primary school students pay for their set meals in advance of each school term. The canteens at our Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School also offer pre-packaged food to students. Our PRC Legal Adviser has advised us that a school must obtain the requisite food operation licences to offer pre-packaged food on campus and failure to do so may subject the school to fines ranging from five to twenty times of the value of the food offered or other penalties. The relevant government authorities may also require a school to temporarily discontinue the relevant services of offering pre-packaged food until it obtains the requisite licences. As of the Latest Practicable Date, our Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School had not received the requisite licence for offering pre-packaged food. We therefore do not offer pre-packaged food in the on-campus canteen of our Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. The on-campus canteen at our Weifang Guangzheng Preparatory School

BUSINESS

commenced operations in September 2016, but we only obtained the requisite food operation licence for such canteen in December 2016. Our PRC Legal Adviser has advised us that for operating an on-campus canteen without the requisite food operation licence, we may be subject to confiscation of the income derived from and the relevant food and other facilities used for the operations of the canteen, as well as being subject to monetary penalties. However, we have received a written confirmation in October 2016 from the local government of Weicheng District, being the competent government authority for the supervision of the overall operations of Weifang Guangzheng Preparatory School, which confirms that the local government acknowledges the current operations of Weifang Guangzheng Preparatory School and supports its continuous operations.

Under the relevant PRC laws and regulations, on-campus canteens in principle must be operated on a “not-for-profit” basis. However, such “not-for-profit” principle is not defined in any PRC laws and regulations. We consulted with the relevant educational authorities and price authorities with respect to the understanding of the “not-for-profit” principle, from which we understand that the principle of “not-for-profit” is met if our schools do not seek to distribute to our school sponsors the retained earnings, if any, from our on-campus canteens, which may be applied for the continuous operation and improvement of the relevant on-campus canteens. Our PRC Legal Adviser is of the view that, the principle of “not-for-profit” is met if the school sponsors and operators of a school do not derive a profit from the operations of the on-campus canteens. During the Track Record Period, none of our schools had distributed any retained earnings (including any retained earnings from the on-campus canteens) to our school sponsors, none of the retained earnings from our on-campus canteens had been provided to our school sponsors as returns and the school sponsors and operators of our schools did not receive or intend to receive a profit from the operations of our on-campus canteens. Accordingly, our PRC Legal Adviser is of the view that, our operation of the on-campus canteens does not violate the aforesaid “not-for-profit” principle and is consistent with the legal principle stated in the General Principles of the Civil Law of the People’s Republic of China (Draft), promulgated by the Standing Committee of the National People’s Congress of the People’s Republic of China on 5 July 2016, which provides that “not-for-profit legal entities shall not distribute profits to its members or sponsors” and the principle stated in the third Draft of the General Principles of the Civil Law published on 27 December 2016, which provides that “an entity established for the purpose of public interest or for other not-for-profit purposes and not distributing profits to its investor or establisher shall be a not-for-profit entity”.

To better manage the retained earnings from our on-campus canteens, our Directors have decided to voluntarily establish a non-distributable reserve and transfer all the retained earnings of our on-campus canteens since the operation thereof into such reserve. As of 31 August 2016, all such retained earnings in the amount of RMB182.5 million had been transferred to the aforesaid non-distributable reserve. Our PRC Legal Adviser is of the view that, the establishment of the non-distributable reserve and the transfer of such retained earnings to the reserve for the continuous operation and improvement of the relevant on-campus canteens and other purposes permitted by PRC laws and regulations are not in breach of the aforesaid “not-for-profit” principle. During the Track Record Period, capital expenditure on certain improvement work of our on-campus canteens was funded by such retained earnings. Subsequent to 31 August 2016, we have entered into a number of construction contracts under which we will incur approximately RMB7.3 million on the renovation of the canteens of our schools. Furthermore, we plan to incur an additional RMB4.0 million to purchase equipment for our canteens. Such capital expenditures subsequent to 31 August 2016 have been and/or will be funded by the aforesaid non-distributable reserve.

The non-distributable reserve will be administered by a committee comprising two Directors and a school principal (the “Committee”), which will be chaired by a Director member and meet at least once per year. Funds in the non-distributable reserve will be used for purposes related to the on-campus canteens, including providing a better dining environment, improving the quality and safety of the food offered, covering the operational, routine maintenance and non-recurring costs incurred by the on-campus canteens for improving the canteen facilities or any other purposes permitted by PRC laws and regulations. Any use of the funds in the non-distributable reserve must be agreed by at least a simple majority of the Committee. The funds in the non-distributable reserve will not be distributed to the school sponsors. For further details on risks and uncertainties relating to our non-distributable reserve, please refer to “Risk Factors – The non-distributable reserve we established may not be a sufficient or appropriate measure for the operation of on-campus canteens”.

BUSINESS

The operating profit contribution from the on-campus canteens was approximately RMB33.5 million, RMB46.6 million and RMB48.6 million for the years ended 31 August 2014, 2015 and 2016, respectively. In arriving at the above figures, we have taken into account certain cost allocation, based on our management's judgment and to the extent practicable, with respect to the operation of our on-campus canteens and before tax. We manage the accounts of our on-campus canteens separately from the accounts for our tuition and boarding fees. Our PRC Legal Adviser is of the view that, if any services provided by Dongguan Ruixing or its designated third party relate to or are used by the on-campus canteens, the relevant service fees can be settled by using the non-distributable reserve and the aforesaid regulatory requirements do not restrict the settlement of such service fees to Dongguan Ruixing or its designated third party, as and when the service fees are incurred as consideration for the services that relate to or are used by the on-campus canteens.

Medical Rooms

Each of our schools has a on-campus medical room that offers healthcare services to our students. The medical rooms at our Dongguan Guangming School, Dongguan Guangming Primary School and Huizhou Guangzheng Preparatory School are licenced on-site infirmaries and offer medical diagnosis and the prescription of medication and treatments, as well as basic healthcare services to our students. The medical rooms at our Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School, however, are not infirmaries and only provide basic healthcare services. In situations of emergency or when necessary and appropriate, we promptly send our students to nearby hospitals for medication and treatments.

Our PRC Legal Adviser has advised us that, under the relevant PRC laws and regulations, a boarding school must have a licenced on-site infirmary to provide medical services to students. Our PRC Legal Adviser has also advised that there is no penalty provision under the relevant PRC laws and regulations if a boarding school fails to have in place such licenced on-site infirmary. 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 licenced on-site infirmaries at our Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School, nor had any of these schools been required to rectify this matter. Our PRC Legal Adviser has advised us that, based on the fact that no medical services that require an on-site infirmary licence are provided at these schools, the possibility of our Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School being subject to fines or other penalties due to the lack of licenced on-site infirmaries is relatively remote. However, any competent PRC government authority may require us to rectify this matter within a prescribed period. We are in the process of applying for the requisite licences for operating on-site infirmaries at our Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. Taking into account the above and based on the advice of our PRC Legal Adviser, our Directors believe that this is not a material non-compliance matter and will not have a material adverse effect on our business operations or financial condition as a whole.

Other Services

All of our schools are boarding schools and most of our students live on-campus. We arrange third-party suppliers to provide transportation services to our students to facilitate their commute between home and school. In addition, as we generally require our students to wear school uniforms during school year, we arrange third-party suppliers to provide school uniform purchasing service for the convenience of parents. For our school bus and school uniform purchasing services, we charge our students the amount charged by the third-party suppliers on behalf of the suppliers plus any additional costs we incur. We have engaged our PRC Legal Adviser to conduct interviews with the competent PRC government authorities, which confirmed that our aforementioned charging practices with respect to the transportation and school uniform purchasing services are not in violation of the relevant PRC laws and regulations.

Dongguan Guangming School

Dongguan Guangming School was established in 2003 in Dongguan, Guangdong province and is one of the earliest schools operated by us. The educational philosophy of the school is to “form a foundation for lifelong learning and to educate for the advancement of society”. The school offers both PRC curriculum programmes and international programmes. As of 1 September 2016, the school had a total student enrolment of 10,510 students, comprising of 2,656 high school students, 7,780 middle school students and 74 students in the international programmes and employed 602 teachers.

For the 2013/2014 and 2014/2015 school years, 268 and 279 high school graduates from Dongguan Guangming School, respectively, were admitted to First Class Universities in China, including Peking University and Tsinghua University.

We believe Dongguan Guangming School is well recognised for its school-based elective courses on sports, art, music and Chinese culture. For each school year during the Track Record Period, high school graduates from Dongguan Guangming School were admitted to first-tier specialized PRC universities, including Beijing Sport University and the Central Academy of Fine Art, in recognition of their sports or art specialties.

The school is located on the same campus site as Dongguan Guangming Primary School. As of 31 December 2016, the total site area of the parcels of land on which the school is developed was approximately 135,247.2 sq.m.. As of 1 September 2016, the school had a capacity of 10,744 students. The school campus offers a variety of facilities, some of which are shared with Dongguan Guangming Primary School.

International Programmes

Dongguan Guangming School established its international programmes in 2012, offering international courses to students who wish to pursue higher education overseas. The international programmes are co-operated by the school with an Independent Third Party, which is a wholly owned subsidiary of an educational institution listed on the Stock Exchange. Dongguan Guangming School entered into cooperation agreements with this Independent Third Party in May 2012. The major terms of the cooperation agreements include: a term of five years commencing May 2012; the Independent Third Party is responsible providing the educational services for the international programmes and the school is responsible for administrative matters; the Independent Third Party is responsible for student and teacher recruitment; and each party receives 50% of the tuition fees collected and shares 50% of the marketing costs.

Dongguan Guangming School offers two types of international programmes: a three-year programme which admits first year high school students and certain second year high school students; and a one-year programme which admits high school graduates and third year high school students. Students enrolled in the three-year programme take international foundation courses such as English, culture studies and communication skills in the first year, and A Level or ACT courses in the second and third years. Students enrolled in the one-year international programme take a variety of preparation courses for their studies overseas, including IELTS courses, culture studies, mathematics techniques, information and technology skills, communication skills and introduction to business courses.

As of 1 September 2016, the international programmes had 74 students. Graduates from the international programmes are eligible for certificates of completion for completing A Level or ACT courses. During the Track Record Period, graduates from the international programmes were admitted to reputable overseas universities and colleges.

Dongguan Guangming Primary School

Dongguan Guangming Primary School was established in 2004 in Dongguan, Guangdong province and is one of the earliest schools operated by us. The school offers primary school education. As of 1 September 2016, the school had a total student enrolment of 5,973 students and employed 311 teachers.

We believe Dongguan Guangming Primary School is well recognised for its school-based elective courses on English, sports, music, art and Chinese culture. The school provides English courses, including spoken English courses to all students, which we believe has substantially stimulated students' interests for studying English and encouraged their confidence in communicating in English. Students from Dongguan Guangming Primary School have won various awards in martial arts, drawing, singing and dancing contests, and we have organized various events promoting students' understanding of Chinese culture, such as Traditional Culture Festival and Recital Contest of Famous Chinese Literature.

The school is located on the same campus site as Dongguan Guangming School. As of 31 December 2016, the total site area of the parcels of land on which the school is developed was approximately 24,192.0 sq.m.. As of 1 September 2016, the school had a capacity of 6,060 students. The school campus offers a variety of campus facilities, some of which are shared with Dongguan Guangming School.

Dongguan Guangzheng Preparatory School

We acquired H.S. Kama International School (東莞市華南師大嘉瑪學校) in August 2013 and changed its name to Dongguan Guangzheng Preparatory School. The school is located in Dongguan, Guangdong province and offers both PRC curriculum programmes and international programmes. As of 1 September 2016, the school had a total student enrolment of 9,094 students, comprising of 3,684 high school students, 2,319 middle school students, 2,818 primary school students and 273 students in the international programmes and employed 550 teachers.

For the 2013/2014 and 2014/2015 school years, 26 and 29 high school graduates from Dongguan Guangzheng Preparatory School were admitted to First Class Universities in China. We believe Dongguan Guangzheng Preparatory School is well recognised for its English, sports, art and music courses.

As of 31 December 2016, the total site area of the parcels of land on which the school is developed was approximately 193,265.3 sq.m.. As of 1 September 2016, the school had a capacity of 9,706 students.

International Programme

Dongguan Guangzheng Preparatory School offers a three-year international programme which admits first year high school students. The international programme of the school was authorized by the London Examination Board in 2005, offering IGCSE courses and A Level courses to high school students who wish to pursue higher education overseas. In 2006, the London Examination Board designated the school as its sole test centre in south China.

As of 1 September 2016, the international programmes had 280 students and employed 38 teachers. Graduates from the international programmes are eligible for certificates of completion for completing A Level or ACT courses. During the Track Record Period, graduates from the international programme were admitted to reputable universities and colleges overseas.

Huizhou Guangzheng Preparatory School

Huizhou Guangzheng Preparatory School was established in 2014 in Huizhou (Huicheng District), Guangdong province and is the first school we operated outside of Dongguan. The school offers primary and secondary school education. As of 1 September 2016, the school had total student enrolment of 3,903 students, comprising of 1,393 high school students, 1,423 middle school students and 1,087 primary school students and employed 299 teachers. The school produced its first batch of middle and high school graduates at the end of the 2015/2016 school year.

We believe Huizhou Guangzheng Preparatory School is well recognised for its sports, music and art courses. As of 31 December 2016, the total site area of the parcel of land on which the school is developed was approximately 64,321.1 sq.m.. As of 1 September 2016, the school had a capacity of 4,024 students.

Panjin Guangzheng Preparatory School

Panjin Guangzheng Preparatory School commenced schooling in 2014 in the city centre of Panjin, Liaoning province, representing the first school operated by us outside of Guangdong province. We selected Panjin to establish our fifth school because Panjin is a resource-rich city with growth potential, a substantial portion of whose population we believe are middle class families that value high quality private education. According to the Statistics Bureau of Panjin, the annual per capita disposable income of Panjin increased at a CAGR of approximately 12.1% from 2012 to 2014. We believe that our Panjin Guangzheng Preparatory School will be able to attract students from middle class families in the city, as well as students from nearby cities such as Shenyang and Dalian. In addition, the local government of Panjin provided substantial support to the establishment of our school by offering us free land use rights, providing government grants and assigning experienced teachers to our school, which allowed us to commence operations within a short period of time and at relatively low costs.

Panjin Guangzheng Preparatory School offers primary and middle school education. As of 1 September 2016, the school had a total student enrolment of 1,590 students, comprising of 601 middle school students and 989 primary school students and employed 136 teachers.

Since the school commenced operations in September 2014, there were no middle school graduates as at the end of the 2014/2015 school year. We expect the school to produce its first batch of middle school graduates by the end of the 2016/2017 school year.

Panjin Guangzheng Preparatory School offers a variety of school-based elective courses, including dancing, martial arts and sport. The school has a spacious football court on campus and offers football classes to students as football is a popular sport in Liaoning province.

As of 31 December 2016, the total site area of the parcels of land on which the school is developed was approximately 206,340.7 sq.m.. As of 1 September 2016, the school had a capacity of 1,866 students.

Weifang Guangzheng Preparatory School

Weifang Guangzheng Preparatory School commenced operations in September 2016 in Weifang, Shandong province, representing the second school operated by us outside of Guangdong province. We selected Weifang to establish our sixth school because Weifang has a number of factors that we believe are important to driving the demand for high quality private education. For instance, Weifang is located in Shandong province in the Bohai Economic Rim economic zone, one of the five major economic zones in China; its neighboring cities, Qingdao and Yantai, are two of the leading economies in Shandong province and have a rapidly growing middle-class; it has a long-lasting tradition of promoting education as it is close to the hometown of Confucius, a well-known teacher and philosopher in the history of China. As of 31 December 2015, Weifang had a population of 9.3 million and a GDP of RMB517.1 billion, according to the Statistics Bureau of Weifang.

Weifang Guangzheng Preparatory School offers primary and middle school education. As of 1 September 2016, the school had a total student enrolment of 718 students, comprising 386 middle school students and 989 primary school students and employed 62 teachers. As of 31 December 2016, the total site area of the parcel of land on which the school is developed was approximately 104,758.0 sq.m.. As of 1 September 2016, the school had a capacity of 752 students.

BUSINESS

Development of New Schools

As of the Latest Practicable Date, we had established schools in three of the five major economic zones, namely, the Pearl River Delta economic zone, the Northeast Three Provinces economic zone and the Bohai Economic Rim economic zone. As one of our development strategies, we intend to continue to strengthen our leading position in the Pearl River Delta economic zone with a focus on Guangdong province and intend to expand into the West Delta economic zone. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing. We also intend to engage in discussions with the local government authorities of various cities in Guangdong, Shandong and Sichuan provinces, to explore the possibility of establishing a new school in each city. In addition, we entered into a memorandum of understanding with Dewey College in Canada with respect to the potential cooperation on the development of a new school overseas.

We will use our best efforts to facilitate the establishment and the commencement of operations of the new schools, as well as the discussions with the relevant government authorities, subject to receiving the requisite approvals, licences and permits. The following tables set forth our expectations, as of the Latest Practicable Date, with respect to certain of our new schools:

New Schools in the PRC

School	Status	Intended school commencement date	Estimated maximum capacity for students ⁽¹⁾	Estimated total capital expenditure (RMB'000)	Costs incurred ⁽²⁾ (RMB'000)	Intended source of funds	Intended allocation of net proceeds from the Global Offering (HK\$'000)
Guang'an Guangzheng Preparatory School	Entered into a cooperation agreement with the local government in May 2016	1 September 2017	9,280	439,800	170,000	Self-owned capital and/or proceeds from the Global Offering	266,289
Yunfu Guangzheng Preparatory School	Entered into a cooperation agreement with the local government in July 2016	1 September 2017	10,680	522,000	Nil	Self-owned capital and/or proceeds from the Global Offering	327,497

Notes:

- (1) Relates to the target maximum capacity for primary, middle and high school education, as well as international programmes. The estimated maximum capacity for students is based on the target maximum capacity for students as set forth in the cooperation agreements with the relevant local government authorities. Please refer to “– *Guang'an Guangzheng Preparatory School*” and “– *Yunfu Guangzheng Preparatory School*” below for further details.
- (2) Represents capital expenditure incurred up to the Latest Practicable Date.
- (3) In addition to the cooperation agreements with the relevant local governmental authorities for the proposed establishment of Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School, we have also entered into a framework agreement with the local government for the potential establishment of a new school in Zhaoqing. The above table does not include information of this proposed new school as the details thereof will be subject to the parties' further discussion if we proceed with the establishment of this school.

BUSINESS

New School in Canada

School	Status	Intended school commencement date	Target student enrolment ⁽¹⁾	Estimated total capital expenditure (CAD'000)	Costs incurred ⁽²⁾ (USD)	Intended source of funds	Intended allocation of net proceeds from the Global Offering (HK\$'000)
Dewey College (secondary school)	Business proposal submitted	1 September 2017	500-600	2,000	Approximately 55,000	Self-owned capital and/or proceeds from the Global Offering	11,736

Notes:

- (1) The target student enrolment is based on the business proposal we have made to Dewey College with respect to the work schedule, financial projections and implementation of the proposed business development plans for the potential investment and development of a new school in Canada. Please refer to “– Dewey College (secondary school)” below for further details.
- (2) Represents capital expenditure incurred up to the Latest Practicable Date.

Please refer to “Risk Factors – Risks Relating to Our Business and Our Industry – We may not be able to successfully execute our growth strategies” of this prospectus for further details about risks and uncertainties involved in developing new schools.

In order to implement our school development strategy, we have established a development centre, which is responsible for project evaluation, liaison with local government authorities, and the construction, establishment and promotion our new schools. The development centre reports directly to our vice president and had 15 staff as of 31 August 2016. We generally intend to model our new school campuses based on the campus site of our Dongguan Guangming School and Dongguan Guangming Primary School, and may also make adjustments based on local conditions.

Guang’an Guangzheng Preparatory School

On 4 May 2016, Guang’an Guangzheng, a wholly owned subsidiary of Guangdong Guangzheng and Cinese Group, a company controlled by Mr. Liu, entered into a cooperation agreement with the local government of Guang’an, Sichuan province and the management committee of Guang’an Zaoshan Logistics and Trade Park. In July 2016, Guang’an Guangzheng and Cinese Group entered into a supplemental agreement in accordance with the principles of the cooperation agreement. Under these agreements, we are assigned to establish a new school in Guang’an, offering, among other things, primary, middle and high school education, as well as international programmes. The major terms of the cooperation agreement are set forth below:

Land use right

The local government allocates the land use right to us for free provided that the land is used for primary, middle and high school education and allocates the land use right to us at a designated price if the land is used for kindergarten and international programmes⁽¹⁾.

School construction

We are responsible for completing the construction of the campus site and the school buildings by the end of August 2017. The school is expected to commence operations in September 2017.

BUSINESS

Preferential policies	The local government offers certain preferential policies and provides assistance to the school to facilitate its construction.
Target maximum capacity⁽²⁾	9,280 students.

Notes:

- (1) As of the Latest Practicable Date, the local government of Guang'an had yet to allocate the relevant land use right to us.
- (2) Refers to the target maximum capacity for primary, middle and high school education, as well as international programmes.

We have strategically selected Guang'an to establish a new school because Guang'an has a number of factors that we believe are important to driving the demand for high quality private education. For instance, Guang'an is located in Sichuan province in the West Delta economic zone, one of the five major economic zones in China and a geographic region into which we intend to expand our school network. As of 31 December 2015, Guang'an had a GDP of RMB100.6 billion, according to the Statistics Bureau of Guang'an.

We expect Guang'an Guangzheng Preparatory School to commence operations in or around September 2017. The school will be a boarding school with on-campus dormitories and will primarily target to recruit PRC students. The school will offer the curriculum mandated by the PRC regulatory authorities and school-based elective courses for its PRC curriculum programmes.

Yunfu Guangzheng Preparatory School

On 19 July 2016, we entered into a cooperation agreement with the local government of Yunfu, Guangdong province to establish a school in Yunfu, offering, among other things, primary, middle and high school education. The major terms of the cooperation agreement are set forth below:

Land use right	The local government allocates the land use right to us at a designated price. The land must be used for educational purposes ⁽¹⁾ .
School construction	We are responsible for the construction of the campus site and all the real estate properties of the school.
Preferential policies	The local government offers certain preferential policies and provides assistance to the school to facilitate its construction and operations.
Target maximum capacity⁽²⁾	10,680 students.

Notes:

- (1) As of the Latest Practicable Date, the local government of Yunfu had yet to allocate the relevant land use right to us.
- (2) Refers to the target maximum capacity for primary, middle and high school education, as well as international programmes.

BUSINESS

We have strategically selected Yunfu to establish a new school because Yunfu has a number of factors that we believe are important to driving the demand for high quality private education. For instance, Yunfu is located in Guangdong province in the Pearl River Delta economic zone, a geographic region in which we intend to strengthen our leading position. As of 31 December 2015, Yunfu had a population of 2.5 million and a GDP of RMB7.1 billion, according to the Statistics Bureau of Yunfu.

Yunfu Guangzheng Preparatory School will be a boarding school with on-campus dormitories and will primarily target to recruit PRC students. We expect a majority of the students to be from Yunfu, with the remainder being primarily from Yunfu's neighbouring cities and other parts of Guangdong province. The school will offer the curriculum mandated by the PRC regulatory authorities and school-based elective courses for its PRC curriculum programmes.

Zhaoqing Guangming Preparatory School

On 15 December 2016, we entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of Zhaoqing Guangming Preparatory School, which will offer, among other things, primary and middle school education. Under the framework agreement, we will obtain the land use right for the construction of the proposed school pursuant to the relevant laws and regulations, and the local government will provide us with certain preferential policies and assistance to facilitate the construction and operations of the proposed school. We expect that if we proceed with the establishment of this school, we will negotiate further with the counterparty and enter into further definitive agreement(s) as and when appropriate.

Dewey College (secondary school)

On 10 February 2016, we entered into a memorandum of understanding (“MOU”) with Dewey College, an independent high school subject to inspection by the Ontario Ministry of Education, Canada, with respect to the parties' potential cooperation in setting up a private school in Ontario, Canada, providing secondary and pre-university education. According to the MOU, we will provide funding for the new school, the amount of which will be determined at a later date; while Dewey College will provide school management services and utilize its partnership relations with certain Canadian universities to provide assistance to our graduates who wish to pursue further studies in Canada. In addition, according to the MOU, the parties agree to jointly organize holiday study programmes such as English summer camps, explore further business opportunities in the education sector in Canada, explore and develop joint training and research projects, arrange seminars, workshops and academic exchange activities, and exchange information on education and training. As at the Latest Practicable Date, we had established a subsidiary in Canada, which is a joint venture company with Dewey International Holdings Limited for the potential investment and development of a new school in Canada. Further, we have made a business proposal with respect to the work schedule, financial projections and implementation of the proposed business development plans including (i) expanding the campus of Dewey College (including acquiring a new campus) in order to increase the student enrolment number and improving the current school facilities to accommodate the future inflow of student graduates from our schools; and (ii) developing online education programmes and teaching resources for Ontario Secondary School credits towards achievement of an Ontario Secondary School Diploma which can be introduced to the students of our schools in the PRC on a fee basis. The potential cooperation with Dewey College under the MOU and the proposed business development plans outlined above are subject to uncertainties, and therefore may or may not materialise as contemplated or at all. For details of the risks associated therewith, please refer to “Risk Factors – Risks relating to our business and our industry – We may not be able to successfully execute our growth strategies” of this prospectus.

As of the Latest Practicable Date, we intended to allocate up to CAD2.0 million for the purpose of establishing the new school. The execution of the MOU, the establishment of a joint venture company in Canada, the budget allocation and the other steps we have taken for the potential development of new schools overseas are also part of our efforts towards meeting the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when permissible and practicable under the prevailing PRC laws and regulations in the future. Please refer to “Contractual Arrangements” of this prospectus for further details.

THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People's Congress (the “**Decision**”), which will become effective on 1 September 2017. The Decision has made certain amendments to the Law for Promoting Private Education. According to the Decision, school sponsors of private schools can choose to establish schools as not-for-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as not-for-profit entities.

For details of the amendments pursuant to the Decision, including the major differences between not-for-profit schools and for-profit schools, please refer to “Regulations – Regulations on Private Education in the PRC – The Decision on Amending the Law for Promoting Private Education of the PRC” of this prospectus.

Potential implications of the Decision on us

Certain potential implications of the Decision on us include:

- *Classification of our schools as not-for-profit schools under the Decision*

All of our existing schools which provide compulsory education, namely our primary and middle schools, as well as our high schools are currently not-for-profit schools under the classification of the Decision, for the reasons that: (i) the Education Law of the PRC (before the amendments on 27 December 2015) requires that all private schools must not be established for profit-making purposes (although such schools may be operated for reasonable return pursuant to the Law for Promoting Private Education in the PRC then effective); (ii) all of our existing schools were established as not-for-profit schools before the promulgation of the Decision and, since their establishment, have never changed their status to for-profit schools under the applicable PRC Laws and regulations; and (iii) neither the amendments to the Education Law of the PRC nor the Decision have affected the not-for-profit status of our existing schools.

- *Change of status to for-profit school*

We have not yet had any definitive plan to change the status of any of our high schools to for-profit schools as at the Latest Practicable Date, based on the reasons that (i) the Decision does not specify that our schools have to notify any authority of their status as not-for-profit entities or for-profit entities within a prescribed time period upon the Decision becomes effective; (ii) the Decision is silent on the specific measures with respect to how existing schools can choose to become for-profit schools, which, according to the Decision, shall be regulated by the corresponding laws and regulations promulgated by local government authorities; and (iii) the implementation regulations have not been promulgated. We also have no plans to change the status of any of our primary and middle schools to for-profit schools as, according to the Decision, our primary and middle schools can only be established as not-for-profit schools.

In the event that the status of any of our high schools is changed into a for-profit school, according to the Decision, the school sponsor of such school will be able to obtain operating profit. However, on the basis that the foreign ownership restriction and foreign control restrictions as described in “Regulations – Foreign Investment in Education in the PRC” and “Contractual Arrangements – PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry” remain in effect, we will still be required to maintain our Contractual Arrangements pursuant to which we will control such school and will provide corporate management and education management consultancy services, intellectual property licensing services as well as technical and business support service in return for service fees. According

to the Decision, as a for-profit school, there will be more flexibility in determining the types and amounts of fees charged by such school as this will be determined by the school at its discretion. Moreover, upon liquidation of a for-profit school, the school sponsor(s) of which can obtain the school's remaining assets after the settlement of such school's indebtedness (unlike the requirements and restrictions under the Decision which apply to the liquidation of a not-for-profit school). However, if any of our high schools is changed into a for-profit school, a potential impact on us will be that the supporting measures that a for-profit school may enjoy will be less than a not-for-profit school. For instance, for-profit schools will not be expected to enjoy the same preferential tax treatment as public schools or not-for-profit schools. It is also unclear whether, when and how existing schools that choose to become for-profit schools will be required to pay additional taxes or undergo re-registration or financial settlement during the transition process.

With respect to our new schools in operation or proposed new schools, namely Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Yunfu Guangzheng Preparatory School and Zhaoqing Guangming Preparatory School, we have not made any definitive decision as to whether to commence offering high school education in such schools. In the event that we decide in doing so, we will adopt the same approach in deciding whether any such new high schools will be operated as for-profit schools or not.

As advised by our PRC Legal Adviser, the above mentioned arrangement relating to our high schools does not violate the applicable PRC laws, since the Decision does not require existing private high schools to decide whether to become for-profit or not-for-profit schools within a time limit.

- *Operating profits or reasonable return*

According to the Decision, private schools are either for-profit or not-for-profit schools and the Decision no longer makes a distinction between schools the school sponsors of which require reasonable return and which do not require reasonable returns. School sponsors of for-profit schools may obtain operating profits, while schools sponsors of not-for-profit schools cannot obtain operating profits.

Notwithstanding that the school sponsors of all of our schools require reasonable returns, as the school sponsors of all of our schools have never obtained any reasonable return from our schools (that is, none of the operating profits of our schools have been passed to the school sponsors) and do not intend in doing so, we consider that the above amendment does not affect our schools.

- *Contractual Arrangements*

Our PRC Legal Adviser has advised us that, the Decision has no material impact on the Contractual Arrangements and that the Contractual Arrangements will remain legal and effective (including the payment of fees pursuant thereunder) after the Decision becomes effective, if 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 “**Sino-foreign Schools Regulation**”), the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄 (2015年修訂)》) (the “**Guidance Catalog**”) and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Guidance Catalog still prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to sino-foreign cooperation; and (ii) the Decision does not prohibit the Contractual Arrangements in relation to schools operating in the PRC, and does not prohibit the payment of service fees by private schools operating in the PRC to their service providers, including the payment of fees pursuant to the Contractual Arrangements.

Potential risks and impact of the Decision on us

We have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of the Decision which affect or may affect our industry as a whole or any of our schools, especially given that the relevant implementation regulations had not been promulgated as at the Latest Practicable Date. Please refer to the risk factors associated with the Decision including, among other things, “Risk Factors – Risks related to the Decision on Amending the Law for Promoting Private Education in the PRC – There are substantial uncertainties regarding the interpretation and application of the Decision”.

Since the implementation regulations had not been promulgated as at the Latest Practicable Date, we will closely monitor any such promulgation or amendment and the development thereof. In particular, we will obtain advice from our PRC legal advisers from time to time prior to making any decisions in response to the amendments in connection with the Decision (including any proposed change of status of any of our high schools to for-profit schools) and will provide the relevant updates to our Shareholders and investors by way of disclosure in announcement and/or annual/interim reports, as and when appropriate.

OUR STUDENTS AND STUDENT RECRUITMENT

As of 1 September 2016, we had a total student enrolment of approximately 31,788 students, including 7,733 high school students, 12,509 middle school students, 11,199 primary school students and 347 students in the international programmes.

We believe our reputation for providing high quality private primary, middle and high school education and our dedication in achieving the well-rounded development in students are key attractions for our prospective students. For student recruitment in our high schools, we participate in the unified admission procedure administered by the relevant Educational Bureau and generally admit middle school graduates who have applied to our schools through the unified admission system and have reached or exceeded the standardized test scores required by us. We also recruit a limited number of specialty students who have sports, music or art talents for our high schools each school year and administer additional tests to evaluate applicants’ skills in the respective specialty area. For student recruitment in our middle schools, we generally admit primary school graduates who have achieved the requisite scores in admission tests administered by us. For student recruitment in our primary schools, we require applicants to participate in on-campus interviews and generally admit kindergarten graduates who are enthusiastic about learning and have performed well in our interviews. We accept applications for our international programmes throughout the year and applicants who pass the tests administered by us will be admitted. We also accept a limited number of transfer students each school year who meet our admission requirements.

We encourage our primary and middle school graduates to apply for our middle and high schools, as applicable, either within the same school or with another school in our school network that provides the desired higher level of education. Graduates from our schools enjoy priority in the admission process and will generally be admitted to their desired higher-level schools within our school network. For the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 86.9%, 82.4% and 83.3% of our primary school graduates enrolled in our middle schools. For the same school years, approximately 51.9%, 54.9% and 58.7% of our middle school graduates enrolled in our high schools.

To attract high-quality students to apply for our schools, we engage in a variety of marketing and recruitment methods, including advertising our relatively recently established schools through newspapers and other media, visiting potential feeder schools to introduce our educational programmes, inviting prospective parents and students for campus tours, distributing information booklets, providing free trial classes and providing scholarships and tuition discounts. We believe that our brand name also plays an essential role in student recruitment and engage in a variety of marketing methods to promote our brand name, including increasing media coverage of our Group,

BUSINESS

organizing promotion events, donating to good causes and participating in community services. For the years ended 31 August 2014, 2015 and 2016, our selling expenses in relation to marketing and student recruitment were RMB6.3 million, RMB7.5 million and RMB13.3 million, respectively.

OUR TEACHERS AND TEACHER RECRUITMENT

We employ a team of qualified and committed teachers, which enables us to offer a variety of mandatory and elective courses and provide moral guidance to our students. As of 1 September 2016, we employed 1,960 teachers, including 486 high school teachers, 765 middle school teachers, 671 primary school teachers and 38 teachers for the international programmes. The following table sets forth the number of teachers for each of our schools as of the dates specified:

School	2013	1 September 2014	2015	2016
Dongguan Guangming School	622	605	606	602
Dongguan Guangming Primary School	239	268	321	311
Dongguan Guangzheng Preparatory School	280	366	464	550
Huizhou Guangzheng Preparatory School	21	84	190	299
Panjin Guangzheng Preparatory School	–	36	85	136
Weifang Guangzheng Preparatory School	–	–	–	62
Total	<u>1,162</u>	<u>1,359</u>	<u>1,666</u>	<u>1,960</u>

As of 1 September 2016, one of our teachers had Exceptional Teacher qualifications, 97 had Advanced Teacher qualifications, eight were provincial level academic leaders and 47 were city-level academic leaders. Exceptional Teacher qualification is an honorable qualification awarded to teachers who have made exceptional contributions to the education industry. The city-level educational authorities select the awardees from potential candidates nominated by the schools. The selected awardees are to be approved by provincial governments and registered with the administrative department of education under the State Council. Advanced Teacher qualification is a professional qualification awarded to teachers who meet certain requirements and have made certain achievements as teachers. Potential candidates submit applications to their respective schools, which review and select the qualified awardees according to the relevant rules, regulations and local policies. Each school receives a quota from the relevant government authorities with respect to number or percentage of Advanced Teacher qualification it is able to award. As of 1 September 2016, over 79% of our PRC-qualified teachers held bachelors or higher degrees.

We employ our teachers through different channels and methods, including campus recruitment, general public recruitment, candidate self-nominations and the use of online recruiting websites. We generally follow the following procedures in recruiting our new teachers: determine our recruiting demands; recruitment advertising; collect resumes; select appropriate candidates; assess candidates' professional qualifications; assess candidates' moral qualities; professional skills tests; trial lectures; interview by school principals; group discussion by teachers and administrative personnel; obtain approval for hiring; notify results to candidates; verify identities and professional certificates of new hires; verify prior work experiences of new hires and physical check-up of new hires; new teacher report to work.

BUSINESS

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low cost accommodation on campus or close to our schools. As of 1 September 2016, approximately 13.7% of our 1,960 teachers had been with us for over five years and 10.5% had been with us for more than ten years. We believe we have experienced a relatively low turnover ratio involving our teachers during the Track Record Period. For the 2013/2014, 2014/2015 and 2015/2016 school years, approximately 14.5%, 9.7% and 12.5% of our teachers voluntarily resigned from our schools.

Our newly hired teachers undergo training programmes in which they familiarize themselves with the requirements and expectations of their respective school and our Group, and get to know their work environment and colleagues. We also provide on-going training programmes for our teachers such as discussion groups, cross-school teacher seminars and outdoor training camps, where our teachers share experiences, enhance teaching skills and improve teamwork.

We monitor teaching quality through a teaching evaluation system based on various factors, including student questionnaires, achievement of teaching targets and student test scores. We reward teachers with high performance evaluations and require teachers who do not meet our expectations to improve within a prescribed period of time. We implement strict rules prohibiting our teachers from accepting gifts of monetary value from parents and students. As of the Latest Practicable Date, we were not aware of any negative news about our teachers receiving gifts from parents or students.

COMPETITION

The education sector in China is rapidly evolving, highly fragmented and competitive. We face competition for students in each geographic market in which we operate. In particular, we compete with public schools and private schools that offer PRC curriculum programmes at primary, middle and high school levels and, to a lesser degree, with private schools that offer international programmes and international schools. We believe that the principal competitive factors in our relevant markets include brand and reputation, operating experience, quality of educational programmes, types of educational programmes, tuition fees, academic performance of students, students and parents satisfaction rate, student placement and ability to attract and retain high quality teachers and staff.

We believe our principal competitive advantages include:

- the reputation of our educational group and our schools;
- our extensive operating experience and replicable business model;
- the scope and quality of our education programmes, services and offerings;
- the academic performance of our students;
- educational programmes that offer primary, middle and high school education;
- our emphasis on the well-rounded development of students and student achievements in sports, music and art;
- the ability to rapidly evolve and expand;
- students' and parents' satisfaction; and
- the quality of our teachers.

We expect competition to persist and intensify. Our existing and potential competitors may have access to resources that we do not have, may be able to devote greater resources to student recruitment, campus development and brand promotion than we can and may respond more quickly

BUSINESS

to changes in the market than we do. Please refer to “Industry Overview” and “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures due to competition in the education sector” of this prospectus for further details about the competition we face and the impacts on our business.

EMPLOYEES

We had 2,046, 2,348, 2,763, 3,355 employees as of 1 September 2013, 2014, 2015 and 2016, respectively. The following table sets forth the approximate numbers of our employees by function as of the dates indicated:

Types of Employees	2013	As of 1 September		
		2014	2015	2016
Executive Directors and senior management	9	9	9	10
Teachers	1,162	1,359	1,666	1,960
Counsellors	291	342	418	487
Administrative and supporting staff	374	386	396	533
Campus security	66	74	73	95
Accounting and finance staff	28	32	29	39
Ancillary service supporting staff	116	146	172	231
Total	2,046	2,348	2,763	3,355

As of the Latest Practicable Date, our employees were primarily located in the PRC. As required by the regulations in the PRC, we participate in various employee social security plans for our PRC employees that are administered by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. Please refer to “– Legal Proceedings and Compliance” below for further details about our compliance with the relevant social insurance and housing provident fund regulations. During the Track Record Period, there was no labour union within our Group and we generally did not rely on employment agents for the recruitment of our employees.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended 31 August 2014, 2015 and 2016.

Our suppliers primarily comprise of food, educational services and educational material suppliers. For the years ended 31 August 2014, 2015 and 2016, purchases from our five largest suppliers amounted to RMB22.3 million, RMB29.9 and RMB30.5 million, respectively, representing 9.3%, 10.3% and 8.2% of the cost of revenue, respectively. During the same periods, purchases from our largest supplier, 東莞市盈威食品有限公司 (Dongguan Yingwei Foods Company Limited), amounted to RMB10.9 million, RMB12.0 million and RMB113.2 million, respectively. Three of our five largest suppliers during the Track Record Period are related parties of our Group for accounting purposes, namely 東莞市盈威食品配送中心 (Dongguan Yingwei Foods Co. Ltd.) and 東莞市厚街長盈食品經營店 (Dongguan Houjie Chang Ying Food Store) which are controlled by Mr. SP Liu (being the father of Mr. Liu) and 東莞市厚街盈發副食店 (Dongguan Houjie Yingfa Grocery Store) which is controlled by a close family member of Mr. Liu. For the years ended 31 August 2014, 2015 and 2016, purchases from these three suppliers in aggregate amounted to RMB13.9 million, RMB16.9 million and RMB22.7 million, respectively. As of the Latest Practicable Date, we intended to discontinue the aforesaid related party transactions prior to Listing. Please refer to “Financial Information – Related Party Transactions” and note 36 to the Accountants’ Report in Appendix I to this prospectus for

BUSINESS

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

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had five trademarks in the PRC relating to Dongguan Guangzheng. We are also the registered owner of four domain names, including “gmcs.cn”, which was registered by Dongguan Guangming Primary School, “gmhs.cn” and “gmhs.com.cn”, which were registered by Dongguan Guangming School, and “wisdomeducationintl.com”, which was registered by our Company. Please refer to “B. Further Information About Our Business – 2. Intellectual property rights” in Appendix V of this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material impact on our Group. Please also refer to “Risk Factors – Risks relating to Our Business and Our Industry – Our brand and reputation may be negatively affected if we fail to adequately protect our intellectual property rights” of this prospectus for further details.

AWARDS AND RECOGNITIONS

We pride ourselves on the achievements of our students. Our Dongguan Guangming School high school male basketball team won two consecutive Dongguan city championships in 2009 and 2010, won provincial championship of Guangdong province in 2010 and became national runner-up among all Chinese high school basketball teams in 2011. Our schools’ badminton, table tennis and athletic teams have won multiple championships in various tournaments in Dongguan. Our students have won various gold, silver and bronze prizes in singing and dancing competitions and numerous first prizes in national, provincial and municipal Chinese calligraphy contests. We believe the accomplishments of our students reflect their well-rounded development at our schools.

In addition, our schools have received various awards recognizing our achievements in various aspects of private primary, middle and high school education. The following tables set forth some of the awards and accolades we have received:

Comprehensive Awards

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2014	Outstanding Private School in Dongguan (東莞市優秀民辦學校)	Dongguan Private Education Association (東莞市民辦教育協會)	Dongguan Guangming School
2014	Leading Private School in Dongguan (東莞市先進民辦學校)	Dongguan Private Education Association (東莞市民辦教育協會)	Dongguan Guangming School
2006	First-tier School in Dongguan (東莞市一級學校)	Dongguan Education Bureau (東莞市教育局)	Dongguan Guangming Primary School

Academic Awards

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2014	Model School for Standardized Compulsory Education in Guangdong Province (廣東省義務教育標準化學校)	Department of Education of Guangdong Province (廣東省教育廳)	Dongguan Guangming Primary School Dongguan Guangming School (middle school section)
2014	Model School for Language and Writing Standardization in Dongguan (東莞市語言文字規範化示範校)	Language Commission, Dongguan Education Bureau (東莞市語言文字工作委員會、東莞市教育局)	Dongguan Guangming School Dongguan Guangzheng Preparatory School

BUSINESS

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2013	Top 100 Education and Research Institution for Primary and Secondary Education in China (全國中小學教育科研百強單位)	National Association of Primary and Secondary Education (全國中小學教育學會)	Dongguan Guangming Primary School
2013	Model School for Language and Writing Standardization in Guangdong Province (廣東省語言文字規範化示範校)	Language Commission, Department of Education of Guangdong Province (廣東省教育廳、廣東省語言文字工作委員會)	Dongguan Guangming Primary School
2010	Leading Research Institution for Research Projects by the Ministry of Education (教育部課題研究先進單位)	Chinese Education Expert Association, National Secondary School Education and Research Consortium (全國教育專家委員會、全國中學教育科研聯合體)	Dongguan Guangming School
2008	Top 100 School in Education and Research in China (全國教育科研百強學校)	Chinese Education Expert Association, National Primary and Secondary School Consortium of Education and Research (全國教育專家委員會、全國中小學教育科研聯合體)	Dongguan Guangming School
2006	Experimental School for China's Fundamental Education Network (中國基礎教育網絡實驗學校)	China Fundamental Education Website (中國基礎教育網)	Dongguan Guangming School
2006	Experimental School for Advanced Education Technology (現代教育技術實驗學校)	Department of Education of Guangdong Province (廣東省教育廳)	Dongguan Guangming School

Sports, Art and Chinese Culture Education Awards

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2015	Dongguan Guangming School high school male basketball team was invited to attend the prestigious Iolani Classic Basketball Tournament held in Honolulu, Hawaii as China's representative team	China School Sports Federation, Basketball Branch (中國中學生體育協會籃球分會)	Dongguan Guangming School
2013	Featured School for Traditional Sports in Guangdong (track and field) (廣東省體育傳統項目學校 (田徑))	Sports Bureau of Guangdong Province (廣東省體育局) Department of Education of Guangdong Province (廣東省教育廳)	Dongguan Guangzheng Preparatory School
2011	Youth Basketball Training Base for Guangdong (廣東省青少年籃球訓練基地)	Sports Bureau of Guangdong Province (廣東省體育局)	Dongguan Guangming School
2009	Sports-specialty Students Training Base for Tsinghua University (清華大學體育特長生培養基地)	Sports Department, Tsinghua University (清華大學體育部)	Dongguan Guangming School

BUSINESS

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2008	Training Base for Arts-Specialty Students in China (中國藝術特長生優秀培訓基地)	Ministry of Education – Committee for the Promotion of Art Education in China; Ministry of Culture – Development Foundation of Chinese Society and Culture; Election Office for Outstanding Specialty Students in China; Dongguan Office for Star Kids ((教育部)中國藝術教育促進會; (文化部)中華社會文化發展基金會;中國優秀特長生推選活動辦公室;東莞市寶貝之星活動辦公室)	Dongguan Guangzheng Preparatory School
2008	Leading School for Calligraphy Education in Guangdong (廣東書法教育先進學校)	Guangdong Teenage Calligraphy Competition Organizing Committee (廣東省青少年書法大賽組委會)	Dongguan Guangming School

Moral Education Awards

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2013	Dongguan Model School for Moral Education (東莞市德育示範學校)	Dongguan Education Bureau (東莞市教育局)	Dongguan Guangzheng Preparatory School
2012	Dongguan Model School for Moral Education (東莞市德育示範學校)	Dongguan Education Bureau (東莞市教育局)	Dongguan Guangming School
2006	National Moral Education Base for Primary and Middle School Students (全國中小學思想道德建設活動先進單位)	The Chinese Society of Education (中國教育學會)	Dongguan Guangzheng Preparatory School

Campus Related Awards

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2016	Most Beautiful Campus in Dongguan (東莞市最美校園)	China News Service, Dongguan Branch (中國新聞社東莞支社)	Dongguan Guangming School Dongguan Guangming Primary School Dongguan Guangzheng Preparatory School

PROPERTIES

As of 31 December 2016, we owned the land use rights for 17 parcels of land in the PRC with a total site area of approximately 728,124.2 sq.m. and 49 buildings and eight units with a total gross floor area of approximately 535,914.7 sq.m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of 31 December 2016, we also leased the land use rights for one parcel of land with a total site area of approximately 2,398 sq.m. and 17 buildings and units with a total gross floor area of 74,334.4 sq.m. from Independent Third Parties for the operations of our schools.

BUSINESS

Owned Properties

Land

As of 31 December 2016, we owned the land use rights for 17 parcels of land with a total gross site area of approximately 728,124.2 sq.m.. The following table sets forth a summary of the land use rights we owned:

Land Used by	No. of Parcels of Land	Gross Site Area (sq.m.)	Location	Existing Use	Expiry Date
Dongguan Guangming School	3	135,247.2	Dongguan, Guangdong Province	Education	19 February 2053
Dongguan Guangming Primary School	7	24,192.0	Dongguan, Guangdong Province	Education	N/A
Dongguan Guangzheng Preparatory School	3	193,265.3	Dongguan, Guangdong Province	Education	27 March 2055 – 19 March 2056
Huizhou Guangzheng Preparatory School	1	64,321.1	Huizhou, Guangdong Province	Education	N/A
Panjin Guangzheng Preparatory School	2	206,340.7	Panjin, Liaoning Province	Education	N/A
Weifang Guangzheng Preparatory School	1	104,758.0	Weifang, Shandong Province	Education	N/A
Total	<u>17</u>	<u>728,124.2</u>			

As of the Latest Practicable Date, we had not obtained the land use right certificates for the seven parcels of land used by Dongguan Guangming Primary School with a gross site area of approximately 24,192 sq.m.. For further details on the legal consequences, potential penalties and risks and uncertainties associated with the lack of land use right certificates, please refer to “– Legal Proceedings and Compliance” below, “Risk Factors – Risks Relating to Our Business and Our Industry – We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own” of this prospectus.

The parcels of land held by Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School are government-allocated land. As advised by our PRC Legal Adviser, under the applicable PRC laws and regulations, all such parcels of land, being government-allocated land, and the buildings attached thereto cannot be transferred, leased or pledged without prior approval of the relevant government authorities.

BUSINESS

Buildings

As of 31 December 2016, we owned 49 buildings and eight units in the PRC with an aggregate gross floor area of approximately 535,914.7 sq.m.. The following table sets forth a summary of the buildings we owned:

Building Used by	No. of Buildings/ Units	Gross Floor Area (sq.m.)	Location	Existing Use
Guangdong Guangzheng	8 units	1,476.0	Dongguan, Guangdong Province	Office
Dongguan Guangming School	14 buildings	138,429.3	Dongguan, Guangdong Province	Education
Dongguan Guangming Primary School	6 buildings	69,471.9	Dongguan, Guangdong Province	Education
Dongguan Guangzheng Preparatory School	12 buildings	138,525.3	Dongguan, Guangdong Province	Education
Huizhou Guangzheng Preparatory School	3 buildings	63,988.8	Huizhou, Guangdong Province	Education
Panjin Guangzheng Preparatory School	11 buildings	76,588.2	Panjin, Liaoning Province	Education
Weifang Guangzheng Preparatory School	3 buildings	47,435.2	Weifang, Shandong Province	Education
Total	49 buildings and 8 units	535,914.7		

As of 31 December 2016, we leased, as the landlord, the eight units owned by Guangdong Guangzheng with a total gross floor area of approximately 1,476 s.q.m to a single tenant for a term due to expire on 31 December 2020. For the years ended 31 August 2014, 2015 and 2016, our property rental income was RMB1.0 million, RMB0.9 million and RMB1.0 million, respectively. As advised by our PRC Legal Adviser, all educational facilities in a school cannot be pledged under the applicable PRC laws and regulations.

Building ownership certificates

As of the Latest Practicable Date, we had not obtained the building ownership certificates for a total of 32 of our owned buildings: (i) eight of the 14 buildings used by Dongguan Guangming School with a gross floor area of approximately 67,070 sq.m., (ii) six buildings used by Dongguan Guangming Primary School with a gross floor area of approximately 69,471.9 sq.m., (iii) four of the 12 buildings used by Dongguan Guangzheng Preparatory School with a gross floor area of approximately 70,229.2 sq.m., (iv) 11 buildings occupied by Panjin Guangzheng Preparatory School with a gross floor area of approximately 76,588.2 sq.m., including four buildings that had not been put to use as of the Latest Practicable Date with a gross floor area of 24,600.4 sq.m., and (v) three buildings occupied by Weifang Guangzheng Preparatory School with a gross floor area of approximately 47,435.2 sq.m..

BUSINESS

Other certificates

In addition, as of the Latest Practicable Date, we had not obtained certain other requisite certificates or permits for certain buildings under construction and certain buildings in use for which we had not obtained the building ownership certificates, primarily caused by administrative oversight and the relevant school management being unfamiliar with the relevant regulatory requirements. A summary of the material outstanding certificates and permits as of the Latest Practicable Date is set forth below:

	Affected total gross floor area (sq.m.)		
	Planning certificate	Construction permit	Certificate for passing environmental assessments
Dongguan Guangming School	48,030.0	21,836.0	–
Dongguan Guangming Primary School	69,471.9	69,471.9	69,471.9
Dongguan Guangzheng Preparatory School	62,145.5	62,145.5	70,229.2
Weifang Guangzheng Preparatory School	–	84,764.6	47,435.2

For further details on the legal consequences, potential penalties and risks and uncertainties associated with the legal defects to certain of our owned buildings, please refer to “– Legal Proceedings and Compliance” below, “Risk Factors – Risks Relating to Our Business and Our Industry – We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own” of this prospectus. As of the Latest Practicable Date, we had obtained the relevant certificates which indicate that all the buildings in use and owned by us can be used safely, including the certificate of passing construction completion inspections, the completion report or the safety assessment report for building structures, as applicable, and the certificate for passing fire control assessments.

As of the Latest Practicable Date, except as otherwise disclosed in this prospectus, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of land ownership certificates, building ownership certificates and other relevant certificates or permits for certain of our owned properties. We are in the process of applying for the requisite outstanding certificates and permits for all of our owned properties. We also intend to apply for all requisite certificates and permits for our owned properties before they will be put into use in the future.

Leased Properties

As of 31 December 2016, we leased one parcel of land with a total gross site area of approximately 2,398 sq.m. in Dongguan, Guangdong Province from an Independent Third Party. The land lease has a term of nine years and expires in 2024. The leased land is used by Dongguan Guangming School for leisure and recreational activities.

As of 31 December 2016, we leased 17 buildings and units with a total gross floor area of approximately 74,334.4 sq.m. from Independent Third Parties, including 12 buildings in Dongguan, Guangdong Province with a gross floor area of approximately 63,008.2 sq.m., which were used as student dormitories and staff apartments for Dongguan Guangming School, two buildings in Dongguan, Guangdong Province with a gross floor area of approximately 10,902 sq.m., which were used as staff apartments for Dongguan Guangzheng Preparatory School, one unit in Weifang, Shandong Province (the lease of which is currently under renewal) with a gross floor area of approximately 197.1 sq.m., which was used as staff apartments for Weifang Guangzheng Preparatory School, one unit in Panjin, Liaoning Province with a gross floor area of approximately 122.5 sq.m., which was used as staff office and apartments, and one unit in Yunfu, Guangdong Province with a gross floor area of approximately 104.5 sq.m., which was used as Yunfu Guangzheng Preparatory

BUSINESS

School's registered address. The 14 leased buildings in Dongguan, Guangdong Province have lease terms ranging from one to 20 years. The leased unit in Weifang, Shandong Province had a lease term of one year till November 2016, which is currently under renewal. The leased unit in Panjin, Liaoning Province has a lease term of one year and the lease expires on 31 July 2017. The leased unit in Yunfu has a lease term of one year and the lease expires on 23 August 2017. For the years ended 31 August 2014, 2015 and 2016, our property rental expenses were RMB3.5 million, RMB4.8 million and RMB5.8 million, respectively.

As of the Latest Practicable Date, the lessors of the one parcel of land and the 14 buildings we leased in Dongguan, Guangdong Province and the lessor of the one unit we leased in Yunfu, Guangdong Province had not provided us with valid building ownership certificates. According to our PRC Legal Adviser, in the event that landlords do not have valid building ownership certificates, the relevant lease agreements may be deemed invalid or other third parties may claim lessors' rights against us. Please refer to "Risk Factors – Risks Relating to Our Business and Our Industry – Our right to certain leased properties could be challenged by property owners or other third parties and we may be unable to find suitable alternative premises if our leases are terminated" of this prospectus for further details. As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of building ownership certificates for certain of our leased buildings.

In addition, as of the Latest Practicable Date, all of our lease agreements were not registered with relevant PRC government authorities. Our PRC Legal Adviser has advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time period. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease, although the lack of registration will not affect the validity and enforceability of the lease agreements. However, as of the Latest Practicable Date, we had not been fined by the relevant PRC authorities with respect to the unregistered leases. For further details on the risks associated with our leased properties, please refer to "Risk Factors – Risks Relating to Our Business and Our Industry – Our right to certain leased properties could be challenged by property owners or other third parties and we may be unable to find suitable alternative premises if our leases are terminated" in this prospectus.

Our leased properties are primarily used as student dormitories and staff apartments. Our Directors believe that in the event that we need to vacate the relevant leased land or buildings, we would be able to locate comparable alternative accommodation without incurring significant expenses and within reasonable time and that our educational activities, business operations and financial condition as a whole would not be materially and adversely affected by such relocation. Based on the advice from our PRC Legal Adviser, our Directors are of the view that the defects in our leased land and buildings do not have a material adverse effect on our business operations or financial condition as a whole.

Indemnity from our Controlling Shareholders

Each of our Controlling Shareholders has agreed to indemnify our Group pursuant to the Deed of Indemnity, on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from any title or other defects with respect to our properties including to procure suitable alternative premises for our use where appropriate.

INSURANCE

We maintain various insurance policies against certain risks and unexpected events, such as school liability insurance, student personal accident insurance and property insurance for vehicles. We also provide social security insurance including pension insurance, unemployment insurance, work related injury insurance and medical insurance for our PRC employees. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider

BUSINESS

our insurance coverage to be generally in line with companies of similar size in the same industry in China. Please refer to “Risk Factors – Risks Relating to Our Business and Our Industry – We have limited insurance coverage” of this prospectus for further details of risks associated with our insurance coverage.

Licences and Permits

Our PRC Legal Adviser has advised that, as of the Latest Practicable Date, except as otherwise disclosed in this prospectus, we had obtained the licences, permits, approvals and certificates and made the registrations and filings necessary to conduct our operations in all material respects from the relevant government authorities in the PRC and that such licences, permits, approvals, certificates, registrations and filings remained in full effect in all material respects.

The table below sets forth details of our material licences and permits:

Holder	Licence/Permit	Granting authority	Grant date	Expiry date
Dongguan Guangming School	Private school operating licence ⁽¹⁾	Dongguan Education Bureau	1 January 2014	31 December 2019
	Registration certificate for private non-enterprise entities	Dongguan Civil Affairs Bureau	1 December 2016	30 November 2020
Dongguan Guangming Primary School	Private school operating licence	Dongguan Education Bureau	1 January 2014	31 December 2019
	Registration certificate for private non-enterprise entities	Dongguan Civil Affairs Bureau	1 December 2016	30 November 2020
Dongguan Guangzheng Preparatory School	Private school operating licence ⁽¹⁾	Dongguan Education Bureau	1 January 2017	31 December 2022
	Registration certificate for private non-enterprise entities	Dongguan Civil Affairs Bureau	1 December 2016	30 November 2020
Huizhou Guangzheng Preparatory School	Private school operating licence	Huizhou Education Bureau	6 May 2015	5 May 2019
	Registration certificate for private non-enterprise entities	Huizhou Civil Affairs Bureau	17 December 2015	6 May 2019
Panjin Guangzheng Preparatory School	Private school operating licence	Panjin Education Bureau	27 November 2014	November 2017
	Registration certificate for private non-enterprise entities	Panjin Xinglongtai Civil Affairs Bureau	14 October 2016	14 October 2018
Weifang Guangzheng Preparatory School	Private school operating licence	Weifang Weicheng District Education Bureau	15 June 2016	14 June 2019
	Registration certificate for private non-enterprise entities	Weifang Civil Affairs Bureau	28 July 2015	27 July 2020

Notes:

- (1) Our PRC Legal Adviser has advised us that, under the relevant PRC laws and regulations, private schools are required to pass annual inspections conducted by the relevant government authorities. For the 2014/2015 school year, our Dongguan Guangming School and Dongguan Guangzheng Preparatory School did not pass their annual inspections primarily due to school management oversight. We promptly improved the internal control of the two schools. On 29 April 2016, Dongguan Education Bureau, being the competent government authority responsible for the annual inspection of schools in Dongguan, issued a letter confirming that our Dongguan Guangming School and Dongguan Guangzheng Preparatory School had complied with all the relevant laws, regulations and rules in relation to education and had met the standards of all on-site and other inspections conducted by the relevant governing authorities during the year of 2016 up to the date of the letter. We also engaged our PRC Legal Adviser to conduct an interview with Dongguan Education Bureau on 17 May 2016, which confirmed that after conducting a preliminary inspection of Dongguan Guangming School and Dongguan Guangzheng Preparatory School, they did not find any incident that would prevent the schools from passing their 2015/2016 annual inspections. Both our Dongguan Guangming School and Dongguan Guangzheng Preparatory School passed the latest annual inspection, namely, the 2015/2016 annual inspection, conducted by the relevant government authority. Based on the above, our Directors are of the view that failure to pass the 2014/2015 annual inspection does not constitute a material non-compliance incident and in any event does not have a material adverse impact on our Dongguan Guangming School or Dongguan Guangzheng Preparatory School or our Group as a whole.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Our student dormitories implement comprehensive boarding rules and are under the dual supervision of teachers and counsellors. We maintain security guards and camera surveillance equipment on each of our campuses. We arrange third-party suppliers to provide school bus services to pick-up/drop-off students at our schools. We also have on-campus medical staff and mental-health counsellors to handle routine medical treatments and psychological counselling for our students, who will promptly send our students to hospitals when necessary.

In 2014, a student in Dongguan Guangming School fell from his dormitory building and his parents initiated court proceedings against us in relation to the student's death. In November 2015, the court ruled that our school was not at fault in the management, education and security protection of students and that the school should pay the plaintiffs RMB100,000 in compensation and dismissed all other claims of the plaintiffs and the plaintiffs appealed. In the appeal, the court upheld the ruling in November 2015, which constitutes the final and binding decision on the legal proceedings, and ruled that our school was not at fault in the incident and was under no liability to compensate the plaintiffs save for the aforesaid compensation. Please refer to “– Legal Proceedings and Compliance” below for further details. We have put in place enhanced health and safety measures with a view to preventing the recurrence of similar incidents on our school premises, including (i) increasing the patrols by our staff in student dormitories, (ii) enhancing the communication with parents and students to better understand the physical and psychological status of our students, (iii) holding educational talks to increase student awareness of health and safety matters, (iv) further promoting the on-campus counselling services provided by our teachers and counselors, and (v) conducting additional training to the relevant staff to ensure appropriate and prompt responses in circumstances of emergency.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business.

- in March 2015, an individual who is an Independent Third Party, initiated court proceedings in Dongguan against us in relation to, according to his allegations, the advances he made on behalf of our Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5.0 million and related interests. As of the Latest Practicable Date, the outcome of this legal proceeding had yet to be finalized; and
- In April 2015, parents of a student initiated court proceedings against us seeking over RMB780,000 in damages in relation to the death of the student who fell from his dormitory building in Dongguan Guangming School in 2014. The court held that, (i) our teacher acted appropriately by speaking to the student, with prior consent from his parents, when the teacher found out about the large amount of cash carried by the student, duly performed his duty of management and safety protection by stopping the student from engaging in a dangerous act, and (ii) an ordinary person could not have predicted the incident as there was no unusual behavior by the student on the day of the incident. Accordingly, in November 2015, the court ruled that the student should take full responsibility for the consequences of the incident, that our school was not at fault in the management, education and security protection of students and that the school should pay the plaintiffs RMB100,000 in compensation as (i) the student was enrolled at our school and the incident took place at an on-campus student dormitory and (ii) the school is an educational institution and benefited from its educational activities. The court dismissed all other claims of the plaintiffs and the plaintiffs appealed. In the appeal, the court upheld the ruling in November 2015, which constitutes the final and binding decision on the legal proceedings, and ruled that our school was not at fault in the incident and was under no liability to compensate the plaintiffs save for the aforesaid compensation.

Except as described above, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our business operations or financial condition as a whole.

During the Track Record Period and up to the Latest Practicable Date, other than as disclosed in the paragraph headed “(i) Material Non-compliance” and “(ii) Systemic Non-compliance” below, 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. During the same periods, we also did not experience any material non-compliance of the laws or regulations which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner in all material aspects. Our PRC Legal Adviser is of the opinion that, other than as disclosed in the sections headed “Risk factors”, “Business” and “Financial Information” of this prospectus, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

(i) Material Non-compliance

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

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>1. During the Track Record Period and up to the Latest Practicable Date, we breached the relevant requirements for contributions to the social insurance plans and the housing provident fund for our employees.</p> <p>We estimate that the amount of social insurance payments and housing provident fund contributions that we did not pay during the three years ended 31 August 2014, 2015 and 2016 were RMB13.9 million, RMB16.5 million and RMB16.3 million, respectively, with respect to social insurance payments, and RMB6.1 million, RMB4.7 million and RMB3.2 million, respectively, with respect to housing provident fund contributions.</p>	<p>The non-compliance was primarily caused by administrative oversight, the relevant school management being unfamiliar with the relevant regulatory requirements, different levels of acceptance of the social insurance scheme by our employees and inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations.</p>	<p>Our PRC Legal Adviser has advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent government authority is of the view that the social insurance payments we made for our employees breached the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day. If we fail to pay the outstanding balance within the prescribed time period, we may be subject to a fine ranging between one to three times of the total outstanding balance.</p>	<p>We have engaged our PRC Legal Adviser to conduct interviews with the relevant human resources and social security bureaus and housing provident fund management centres in Dongguan, Huizhou and Panjin to determine the likelihood of penalties and the current practice of these authorities with respect to implementation and interpretation of the relevant regulations. Each of these authorities confirmed in the interview that:</p> <p>(a) it would not initiate any request for payment of the outstanding balance solely based on the fact that we made partial social insurance payments and housing provident fund contributions; and</p> <p>(b) it would not initiate any proceedings of penalties solely based on the fact that we made partial social insurance payments and housing provident fund contributions.</p>	<p>Mr. Li Jiuchang, Mr. Ng Cheuk Him and Mr. Deng Guoqing.</p>	<p>Given the interviews with and written confirmation from the competent authorities and the advice from our PRC Legal Adviser, our Directors believe that we do not need to make provision for the outstanding balance of the social insurance payments and housing provident fund contributions.</p>
<p>Our PRC Legal Adviser has also advised us that, if any competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant local authorities within a prescribed period.</p> <p>As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant government authorities with respect to this non-compliance incident, nor had any of the schools been required to settle the outstanding amount of social insurance payments and housing provident fund contributions.</p>	<p>Our PRC Legal Adviser has also advised us that, if any competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant local authorities within a prescribed period.</p>	<p>We have also obtained written confirmation from the relevant local human resources and social security bureaus and housing provident fund management centres in Dongguan, Huizhou and Panjin, to the effect, confirming that we did not violate the relevant PRC laws and regulations or we have started to make the relevant contributions.</p>	<p>Based on the foregoing and on the basis that our Group will fully comply with all applicable requirements for social insurance plans and housing provident funds by the end of 2017, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole. Our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for this non-compliance incident.</p>	<p>Mr. Li Jiuchang, Mr. Ng Cheuk Him and Mr. Deng Guoqing.</p>	<p>Based on the foregoing and on the basis that our Group will fully comply with all applicable requirements for social insurance plans and housing provident funds by the end of 2017, our Directors are of the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole. Our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for this non-compliance incident.</p>

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
			<p>Our PRC Legal Adviser has also confirmed that the authorities that have been interviewed by our PRC Legal Adviser or that have issued us written confirmation are the competent authorities for their respective cities. In addition, our PRC Legal Adviser has advised us that, based on the interviews and written confirmations, it is of the view that:</p> <ul style="list-style-type: none"> • the possibility that any of the relevant local human resources and social security bureaus will initiate any payment request or penalty proceeding on its own and solely based on the fact that we made partial social insurance payments is relatively remote; and • the possibility that any of the relevant local housing provident fund management centres will initiate any payment request or penalty proceeding on its own and solely based on the fact that we made partial housing provident fund contributions is relatively remote. 		
			<p>We have taken reasonable steps to rectify this non-compliance:</p>		
			<ul style="list-style-type: none"> • Our Directors undertake to use their best endeavours to comply with applicable laws and regulations. We are already making contributions to the social insurance plans and the housing provident fund for all of our employees in the PRC and have started to make full contributions to the social insurance plans and the housing provident fund for some of our employees since 1 June 2016. As of 1 July 2016, the amount of social insurance payments and housing provident fund contributions we made for some of our employees had increased. We intend to continue rectifying this non-compliance as soon as reasonably practicable until it is fully rectified. As it takes time to discuss and coordinate with the competent government authorities, we intend to make full contributions to the social insurance plans and the housing provident funds by the end of 2017. 		

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
			<ul style="list-style-type: none"> We have established an internal control team to monitor our on-going compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures to comply with the applicable laws and regulations. <p>We will disclose the process of the aforesaid rectification in our interim/annual reports as appropriate and, where applicable, explanation for any delay in such rectification.</p> <p>Our PRC Legal Adviser is of the view that there is no legal impediment for us to rectify this non-compliance.</p>		

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>2. During the Track Record Period and up to the Latest Practicable Date, we had not obtained the land use right certificates for the seven parcels of land used by our Dongguan Guangming Primary School with a gross site area of approximately 24,192 sq.m. and the construction permits for the buildings built on such land.</p>	<p>The non-compliance related to Dongguan Guangming Primary School was primarily caused by administrative oversight, and the relevant school management being unfamiliar with the relevant regulatory requirements for the transfer of land use rights.</p>	<p>Our PRC Legal Adviser has advised us that, under the relevant PRC laws and regulations, our rights to the land may be challenged by third parties if we use land without a land use right certificate.</p> <p>As advised by our PRC Legal Adviser, we may be subject to administrative fines or other penalties due to the lack of the relevant certificates and permits for our buildings including those as set out in “Risk Factor – Risk Relating to Our Business and Our Industry – We are subject to extensive governmental approvals and compliance requirements for the construction and development of our schools and in relation to the land and buildings that we own”.</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, nor had any of our schools been required to rectify this non-compliance or our rights to the land be challenged by third party.</p>	<p>We have taken reasonable steps to rectify this non-compliance:</p> <ul style="list-style-type: none"> We have applied for the real estate ownership certificates for the real estate used by our Dongguan Guangming Primary School. On 24 December 2015, Office for Application of Property Permits for Completed Properties of 東莞市東城街道辦事處已建房屋補辦房地產手續辦公室, being, as confirmed by our PRC Legal Advisor, the competent authority for accepting application for real estate ownership certificate post-registration of completed properties, accepted our application. On 9 September 2016, the Dongguan Urban and Rural Planning Bureau (東莞市城鄉規劃局) issued Dongguan construction land planning approval to Dongguan Dongcheng Subdistrict Office (東莞市東城街道辦事處), for the land occupied by Dongguan Guangming Primary School, confirming the use of land by Guangming Primary School is in compliance with the applicable land and construction planning requirements. We are closely following up with the government authority with respect to the status of our application. <p>We will disclose the process of the aforesaid rectification in our interim/annual reports as appropriate and, where applicable, explanation for any delay in such rectification.</p> <p>Our PRC Legal Adviser is of the view that, after submitting the requisite documents to the relevant government authority and completing the requisite procedures, there is no legal impediment for us to rectify this non-compliance.</p>	<p>Mr. Li Jiuchang, Mr. Ng Cheuk Him and Mr. Deng Guoqing.</p>	<p>Our Directors take the view that this non-compliance will not have a material adverse effect on our business operations or financial condition as a whole, because (i) the relevant government authority has accepted our application for the relevant real estate ownership certificates; (ii) we intend to submit all the requisite documents to the government authority and complete all the requisite procedures to obtain the real estate ownership certificates; and (iii) our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for this non-compliance incident including, where required, to procure appropriate alternative suitable premises for our use. On the basis of aforesaid, our Directors believe that we do not need to make provision for this non-compliance incident.</p>
<p>Revenue from our Dongguan Guangming Primary School accounted for 17.2%, 17.0% and 16.5% of our total revenue for the years ended 31 August 2014, 2015 and 2016, respectively. As of 31 December 2016, the properties held and occupied by Dongguan Guangming Primary School had no commercial value. Please refer to the property valuation report as set out in Appendix III to this prospectus for further details.</p>					<p>In the unlikely event that we are unable to obtain the land use right certificates and required to discontinue our use of the affected buildings, we do not believe it will have a material adverse impact on our operations as we believe that there will be alternative premises available with proximity of the relevant affected buildings (including premises to be procured by our Controlling Shareholders pursuant to the Deed of Indemnity where appropriate) and/or that our other properties could be reconfigured at minimal cost to accommodate our use, where appropriate.</p>

(ii) Systemic Non-compliance

Set forth below is a summary of our systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date:

(a) Building ownership certificates and related certificates and permits

Non-compliance incident	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>As of the Latest Practicable Date, we had not obtained (i) the building ownership certificates for certain buildings, a summary of which is set out in “– Properties – Owned Properties – Buildings” above; and (ii) certain other requisite certificates or permits for the buildings for which we had not obtained the building ownership certificates, a summary of the material outstanding certificates and permits is set out in “– Properties – Owned Properties – Buildings” above.</p>	<p>The non-compliance was primarily caused by administrative oversight, and the relevant school management being unfamiliar with the relevant regulatory requirements.</p>	<p>In October 2015, the local government authority of Panjin imposed a penalty of RMB1.7 million on us for commencing the construction of certain properties without the relevant construction permit.</p> <p>Our PRC Legal Adviser is of the view that the lack of the relevant certificates and permits will not materially impact our safe use of the respective buildings, because (i) as of the Latest Practicable Date, we had obtained the relevant certificates which indicate that all the buildings in use and owned by us can be used safely, including the certificate of passing construction inspections, the completion report or the safety assessment report for building structures, as applicable, and the certificate for passing fire control assessments; and (ii) we have not encountered any fire or other property safety incidents in our owned properties.</p> <p>As of the Latest Practicable Date, except as otherwise disclosed in this prospectus, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the lack of the other relevant certificates or permits for certain of our owned properties.</p>	<p>We are in the process of applying for the requisite outstanding certificates and permits for all of our owned properties.</p> <p>We have established internal compliance guidelines and a compliance checklist, which set forth our policies and procedures with respect to compliance issues.</p> <p>In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programmes and updates regarding the relevant PRC laws and regulations regularly.</p>	<p>Mr. Li Jiuchang, Mr. Ng Cheuk Him and Mr. Deng Guoqing.</p>	<p>Based on the advice from our PRC Legal Adviser, our Directors are of the view that, the lack of the relevant certificates and permits for our owned buildings, either individually or collectively, does not have a material adverse effect on our business operations or financial condition as a whole, because (i) we are in the process of applying for the requisite outstanding certificates and permits for all of our owned properties; (ii) except as otherwise disclosed, we have not been subject to penalties for the lack of the relevant certificates and permits; (iii) as of the Latest Practicable Date, we had obtained the relevant certificates which indicate that all the buildings in use and owned by us can be used safely, including the certificate of passing construction completion inspections, the completion report or the safety assessment report for building structures, as applicable, and the certificate for passing fire control assessments; and (iv) our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity for this incident including, where required, to procure appropriate alternative premises for our use.</p> <p>In the unlikely event that we are unable to obtain the building ownership certificates and are required to discontinue our use of the affected buildings, we do not believe it will have a material adverse impact on our operations as we believe that there will be alternative premises available in proximity to the relevant affected buildings (including premises to be procured by our Controlling Shareholders pursuant to the Deed of Indemnity where appropriate) and/or that our other properties could be reconfigured at the minimal cost to accommodate our use, where appropriate.</p>

BUSINESS

(b) Settlement through Personal Bank Accounts

(A) Background

During the Track Record Period, we used a total of nine personal bank accounts opened with different branches of four PRC banks (the “**Personal Bank Accounts**”) under the names of Mr. Liu (the chairman of the Board, an executive Director and a Controlling Shareholder), Ms. Li (our chief executive officer, an executive Director and a Controlling Shareholder) and Mr. He Shan (our senior management and executive vice principal of Panjin Guangzheng Preparatory School), for the settlement of corporate funds (the “**Arrangements**”) for Guangdong Guangzheng and four of our schools, namely, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

The following table sets forth a summary of the Personal Bank Accounts:

Corresponding Corporate Account	Name of Bank	Opening Date	Cessation Date	Primary Use
1. <i>Mr. Liu</i> Guangdong Guangzheng	Industrial and Commercial Bank of China, Dongguan branch, Hou Street sub-branch	5 May 2008	4 March 2014	Making intercompany transfers
2. <i>Ms. Li</i> Dongguan Guangming School	Bank of China, Guang Da branch	16 November 2009	23 August 2014	Deposits of cash generated from students’ pre-payments for the on-campus canteen; Making payments for operating expenses of the on-campus canteen
3. <i>Ms. Li</i> Dongguan Guangming School	Industrial and Commercial Bank of China, Jing Hu branch	Prior to August 2012	31 August 2015	Making payments for operating expenses of the school
4. <i>Ms. Li</i> Dongguan Guangming School	Dongguan Rural Commercial Bank, Dongcheng District Guangming office	29 June 2013	1 June 2016	Deposits of cash generated from students’ pre-payments for the on-campus canteen; Making payments for operating expenses of the on-campus canteen
5. <i>Ms. Li</i> Dongguan Guangming School	Dongguan Rural Commercial Bank, Dongcheng District Guangming office	29 June 2013	1 June 2016	Making small payments for the on-campus canteen
6. <i>Ms. Li</i> Dongguan Guangzheng Preparatory School	Bank of China, Guang Da branch	2 August 2013	31 January 2015	Deposits of cash generated from students’ pre-payments for the on-campus canteen; Making payments for operating expenses of the on-campus canteen

BUSINESS

Corresponding Corporate Account	Name of Bank	Opening Date	Cessation Date	Primary Use
7. <i>Ms. Li</i> Dongguan Guangzheng Preparatory School	Dongguan Rural Commercial Bank, ChaShan ZengBu branch	2 December 2013	1 June 2016	Deposits of cash generated from students' pre-payments for the on-campus canteen; Making payments for operating expenses of the on-campus canteen
8. <i>Ms. Li</i> Dongguan Guangzheng Preparatory School	Dongguan Rural Commercial Bank, ChaShan ZengBu branch	19 August 2014	31 August 2015	Deposits of cash generated from students' pre-payments for the on-campus canteen; Making payments for operating expenses of the on-campus canteen
9. <i>Mr. He Shan</i> Panjin Guangzheng Preparatory School	China Guangfa Bank, Panjin branch	11 July 2014	31 August 2015	Making payments for the operating expenses of the school and to suppliers

We opened one Personal Bank Account under the name of Mr. Liu in 2008 for making tax payments. The Personal Bank Account was used for the settlement of corporate funds mostly prior to the Track Record Period. On 4 March 2014, we completely ceased the use of this Personal Bank Account for the settlement of corporate funds. During the financial year ended 31 August 2014, we transferred the remaining balance in this Personal Bank Account to our corporate account.

We used Personal Bank Accounts registered under the name of Ms. Li to more efficiently manage the various aspects of the business operations of our Dongguan Guangming School and Dongguan Guangzheng Preparatory School. Banks in the PRC are generally open seven days a week (Monday to Sunday) for individual clients, but are only open five days a week (Monday to Friday) for corporate clients. Through the use of the Personal Bank Accounts, we were able to deposit and withdraw cash with more flexibility to meet the needs of our daily operations, including making payments for operating expenses and tuition refunds. Ms. Li is the co-founder, executive Director and chief executive officer of our Group, and is familiar with the general operations of our Dongguan Guangming School and Dongguan Guangzheng Preparatory School.

We used one Personal Bank Account registered under the name of Mr. He because we did not receive the registration certificate for private non-enterprise entities for Panjin Guangzheng Preparatory School, without which, as advised by our PRC Legal Adviser, we were unable to open a corporate bank account registered under the name of the school. We received the registration certificate for private non-enterprise entities for Panjin Guangzheng Preparatory School in October 2016. In addition, as Panjin Guangzheng Preparatory School is geographically far from Guangdong province, where our corporate bank accounts were located when we first started business in Panjin, we considered it inefficient and costly to deposit and withdraw cash from our corporate bank accounts for the use of Panjin Guangzheng Preparatory School. As a result of the foregoing, we used a Personal Bank Account registered under the name of Mr. He, who is based in Panjin. Mr. He is a senior management of our Group and executive vice principal of Panjin Guangzheng Preparatory School. Through the use of the Personal Bank Account registered under the name of Mr. He, we were able to make payments more efficiently to the relevant suppliers to enable the timely commencement of operations of our Panjin Guangzheng Preparatory School. When Panjin Guangzheng Preparatory School commenced operations in September 2014, we were also able to make payments for the operating expenses of the school more efficiently through the Personal Bank Account registered under the name of Mr. He.

BUSINESS

(B) Internal control measures for the Personal Bank Accounts and personnel involved

We applied the same internal control measures to the Personal Bank Accounts as our corporate bank accounts to (i) ensure that all funds deposited in the Personal Bank Accounts were used solely for our operations in accordance with the relevant PRC laws and regulations and were not misappropriated by any entity or individual; (ii) to segregate the duties of authorising, executing, monitoring and book keeping of fund transfer from and to the Personal Bank Accounts; and (iii) prevent incident of fraud and misappropriation of funds. The internal control measures we applied to the Personal Bank Accounts include:

- all bank books, debit cards, security devices and passwords of the Personal Bank Accounts, as applicable, were kept and safeguarded by designated personnel of the respective school other than Mr. Liu, Ms. Li or Mr. He:
 - for Dongguan Guangming School, designated accounting and administrative personnel jointly controlled the access to the Personal Bank Accounts used for the school;
 - for Dongguan Guangzheng Preparatory School, designated accounting personnel had possession of the bank books and debit cards for the Personal Bank Accounts used for the school; and
 - for Panjin Guangzheng Preparatory School, designated accounting personnel had possession of the bank books and debit cards for the Personal Bank Accounts used for the school;
- a senior accounting staff member of the finance department of the respective school was responsible for monitoring the operation of the Personal Bank Accounts, keeping records of the Personal Bank Accounts and making corresponding accounting entries in the accounting system of the school for the movements of the Personal Bank Accounts;
- at the end of each month, another senior accounting staff member of the finance department would perform monthly bank reconciliation or checking of the bank statements of the Personal Bank Accounts against the respective school's accounting ledger; and
- the aforesaid accounting entries and month-end bank reconciliation or checking would be reviewed and approved by the accounting manager of the finance department of the respective school. Such accounting and record keeping procedures in respect of the Personal Bank Accounts were operated in the same way as that of the corporate accounts of the Group.

As of 1 June 2016, we had ceased the use of all Personal Bank Accounts. As of the Latest Practicable Date, we had transferred all material bank balances in the Personal Bank Accounts to our corporate bank accounts. The independent internal control consultant of the Group (the “**Internal Control Consultant**”) reviewed the design of our internal control policies and procedures on the use of Personal Bank Accounts during the Track Record Period and is of the view that they were adequate and had been effectively implemented.

(C) Number of transactions, amount involved and the nature of fund-flows

As of 31 August 2014 and 2015 and 31 May 2016, the total balance in the Personal Bank Accounts was RMB4.9 million, RMB2.1 million and RMB0.03 million, respectively.

BUSINESS

For the years ended 31 August 2014, 2015 and 2016, the payments made from the Personal Bank Accounts was RMB114.0 million, RMB151.3 million and RMB87.3 million, accounting for 3.4%, 6.3% and 2.1%, respectively, of the total payment amounts made from all of our bank accounts, including both corporate bank accounts and the Personal Bank Accounts. During the same periods, the total number of payment transactions through the Personal Bank Accounts was 10,279, 9,166 and 914, respectively. The purposes of payments made from the Personal Bank Accounts and the corporate bank accounts are substantially the same, which primarily included payments to suppliers, intercompany transfers within the Group, staff payroll and bonuses, advances to related parties, repayment of bank borrowings and other operating expenses payments. For the years ended 31 August 2014, 2015 and 2016, payments to suppliers represented 37.0%, 35.6% and 53.8% of the total payment amounts from the Personal Bank Accounts, respectively. For the same periods, intercompany transfers within the Group represented 42.4%, 50.9% and 39.0% of the total payment amounts from the Personal Bank Accounts, respectively.

For the years ended 31 August 2014, 2015 and 2016, the total cash received through the Personal Bank Accounts was RMB114.6 million, RMB148.6 million and RMB85.3 million, accounting for 3.5%, 6.2% and 2.1%, respectively, of the total cash received through all of our bank accounts, including both corporate bank accounts and the Personal Bank Accounts. During the same periods, the total number of cash receipt transactions through the Personal Bank Accounts was 646, 1,029 and 511, respectively. The purposes of the cash received through the Personal Bank Accounts and the corporate bank accounts are substantially the same, which primarily included cash received in advance for ancillary services and tuition and boarding fees, intercompany transfers within the Group, repayment from related parties and proceeds from bank borrowings. For the years ended 31 August 2014, 2015 and 2016, cash deposits represented 83.8%, 78.5% and 82.8% of the total cash received through the Personal Bank Accounts, respectively. For the same periods, intercompany transfers within the Group represented 14.4%, 11.3% and 7.2% of the total cash received through the Personal Bank Accounts, respectively.

Our Directors consider that the cessation of the usage of the Personal Bank Accounts has no material adverse effect on our business operations and financial results, taking into account that (i) the operations of all our schools remain normal after such cessation; (ii) the total amount of payments made from and the total deposits into the Personal Bank Accounts accounted for a relatively small percentage of the total payment amounts from and the total deposit amounts into all of our bank accounts for the years ended 31 August 2014, 2015 and 2016, respectively; and (iii) our audited financial statements for the year ended 31 August 2016, which covers the period after the cessation of the usage of the Personal Bank Accounts from 1 June 2016 to 31 August 2016, shows no irregularities.

(D) Ownership of the funds deposited into the Personal Bank Accounts

Our PRC Legal Adviser advised that we, as the beneficial owner of the funds, have the right to own and use the funds in the Personal Bank Accounts according to the Property Law of the PRC (中國物權法). Further, based on the facts that the funds received by us during our course of business and are owned by us, our PRC Legal Adviser is of the view that we shall include the bank balances of the Personal Bank Accounts in our bank balances and cash according to the Accounting Law of the PRC (中國會計法), which requires an enterprise to adopt accounting procedures and to record the financial aspects of its business transactions.

(E) Transactions under the Arrangements

As confirmed by the executive Directors, all receipts of payments from students under the Arrangements were fully supported by transaction documents. The executive Directors have also confirmed the accuracy and completeness of our accounting books and records in all material respects.

BUSINESS

(F) No tax evasion or violation of PRC laws and regulations in relation to tax

We have conducted interviews with the local tax authorities in Dongguan and Panjin, being the competent government authorities for their respective cities, which confirmed, among others, that they were aware of the Arrangements, the Arrangements do not violate the relevant PRC tax laws and regulations and they will not impose penalties for on our prior use of the Arrangements. As of the Latest Practicable Date, we had transferred all material bank balances in the Personal Bank Accounts to our corporate bank accounts.

Our PRC Legal Adviser is of the view that, based on the facts and the interviews with the relevant tax authorities, it is unlikely that the Arrangements would be regarded as involving any tax evasion by our Group.

(G) Legal consequence of the Arrangements

As advised by our PRC Legal Adviser, the use of the Personal Bank Accounts for the settlement of corporate funds was not in compliance with relevant PRC laws and regulations as described below:

- according to the Company Law of the PRC (公司法), companies cannot establish any account book in addition to those required by law and no account can be opened in the name of any individual for keeping company's assets. However, no legal consequence of such breach was provided by the Company Law of the PRC; and
- according to the Law on Commercial Banks of the PRC (商業銀行法), if a personal bank account is opened for the funds of an entity, the People's Bank of China may impose penalties on the user of the personal bank account, including confiscation of any illegal income, a fine of one to five times of the illegal income if the illegal income amounts to RMB50,000 or more, or a fine ranging between RMB50,000 to RMB500,000 if the illegal income is less than RMB50,000.

Our Directors confirmed that our prior use of the Arrangements and the parties concerned did not involve any illegal income. As of the Latest Practicable Date, no fine or other penalties had been imposed by the relevant government authorities with respect to our prior use of the Arrangements. Our PRC Legal Adviser has advised us that for the prior use of the Arrangements, we may be subject to the aforementioned penalties according to the Law on Commercial Banks of the PRC (商業銀行法), however, the relevant penalties, if any, will not have a material impact on our business and financial condition as a whole. For further details about risks associated with the Arrangements, please refer to "Risk Factors – Risks Relating to Our Business and Our Industry – We used personal bank accounts for the settlement of corporate funds, which may subject us to penalties". Based on the fact that we have ceased the use of all Personal Bank Accounts as of 1 June 2016 and taking into account of our PRC Legal Adviser's advice, our Directors are of the view that the prior use of the Arrangements did not have and will not have a material adverse effect on our business operations or financial conditions as a whole.

(H) Enhanced internal control measures to prevent future re-occurrence

To prevent future re-occurrence of the use of personal bank accounts for settlement of corporate funds, we have enhanced our internal control measures:

- we have enhanced our internal control manual to require all the receipts and payments must be made through corporate accounts and no personal bank account could be opened and used. As of the Latest Practicable Date, such manual had become effective and the relevant staff of our Group had been notified; and

BUSINESS

- the managers of the finance department of our Group shall, under the supervision of Mr. Ng Cheuk Him, our chief financial officer and executive Director, closely monitor all members of our Group to ensure that no personal bank account is opened and used by any member of our Group by (i) checking all accounting records to detect whether any personal bank account is involved in the receipt or payment of funds and (ii) reviewing all bank statements of the corporate accounts of our Group to detect any abnormal or unauthorised transfer of funds. In case of any indication of use of personal bank accounts for the receipt or payment of funds by any member of our Group, they should report to Mr. Ng Cheuk Him immediately.

The independent internal control consultant of the Group (the “**Internal Control Consultant**”) performed (i) initial internal control reviews during the period from December 2015 to February 2016 and (ii) performed follow-up reviews in during the period from April to June 2016. The Internal Control Consultant confirmed that as of June 2016, we had fully rectified the incident with respect to the use of personal bank accounts.

Our Internal Control Consultant is not aware of any material issues and irregularities with respect to our internal control policies and procedures regarding the making and receiving of payments through both the Personal Bank Accounts and corporate accounts. Moreover, our Internal Control Consultant is of the view that, despite the short implementation period, our enhanced internal control measures are adequate and have been effectively implemented, for the following reasons:

- all usage of the Personal Bank Accounts has ceased since 1 June 2016;
- we have enhanced our internal control manual to require all the making and receiving of payments be made through corporate accounts and no personal bank accounts shall be opened and used; and
- in its follow-up reviews, the Internal Control Consultant was not aware of any making or receiving of payments through the Personal Bank Accounts.

Each of our Controlling Shareholders has agreed to indemnify our Group pursuant to the Deed of Indemnity on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from the non-compliance incidents disclosed above.

INTERNAL CONTROL AND RISK MANAGEMENT

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 during the period from December 2015 to February 2016 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 system of internal control with regard to those actions taken by us and reported further commentary during the period from April to June 2016. In its follow-up reviews, the Internal Control Consultant noted that, except for the findings and recommendations in relation to certain corporate governance matters, which we expect to complete the relevant remedial actions in all material respects prior to Listing, we had followed all of the Internal Control Consultant’s recommendations and accordingly have taken corrective actions to address our internal control deficiencies and weaknesses.

Set out below is a summary of the key recommendations from the Internal Control Consultant and the corrective actions adopted by us to prevent future occurrence of the non-compliance incidents:

Compliance with social insurance and housing provident fund contributions requirements in the PRC

The manager of the human resources departments of our Group would review the reporting and contributions of social insurance and housing provident fund for the employees of our Group regularly. Our human resources department will also consult our PRC legal adviser on the requirements under the relevant PRC laws and regulations in relation to social insurance and housing provident fund. We would provide training to the relevant personnel from time to time to keep them abreast of these areas.

The manager of the human resources department would report to chief financial officer and deputy finance officer of our Group on the legal and regulatory compliance and provide improvement recommendations when required.

Compliance with the licencing, permits and other regulatory requirements in the PRC

We have established compliance guidelines and a compliance checklist, which set forth our policies and procedures with respect to compliance issues. The compliance guidelines and checklist will be implemented by the relevant functional departments in each of our schools. The relevant functional departments will monitor our on-going compliance with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programmes and updates regarding the relevant PRC laws and regulations regularly with a view to proactively identify any concerns and issues relating to potential non-compliance. Our executive Directors, Mr. Ng Cheuk Him and Mr. Li Jiuchang, are responsible for ensuring our overall on-going compliance.

We have ceased the use of all Personal Bank Accounts since 1 June 2016. Please refer to “–Settlement through Personal Bank Accounts” above for further details. In addition to the above measures, to enhance the effectiveness of our corporate governance measures and to strengthen the monitoring of our internal control system, we have put in place, among others, the following measures to ensure on-going compliance with all applicable laws and regulations:

- we have established internal audit policies and an independent internal audit department. Our internal audit policies cover, among other things, the supervision of financial operations, business operations, compliance matters and risk management matters. The internal audit department will perform internal audits on, among other things, the financial, operational, compliance and risk management aspects of our Group and reports to the audit committee of our Board from time to time. Members of the internal audit department will not participate in the ordinary business operations of our Group;
- we have established a risk assessment system, which covers, among other things, the management of strategic risks, market risks, legal risks, operational risks, financial risks and information and technology risks of our Group. Senior management of the Company has also assessed our risks and established corresponding measures to control identified risks;
- we have established a legal department, which reports directly to our Board. The legal department is responsible for providing legal advice on the operations of our Group, drafting and reviewing contracts, communicating with external legal advisers and coordinating legal training and counseling (to be provided in-house or by external legal advisers) to our management and staff. Moreover, in addition to our Compliance Adviser appointed pursuant to the Listing Rules, our Group will engage external professional advisers (including Hong Kong and PRC legal advisers) of appropriate qualifications and experience to provide advice and guidance on the legal and compliance matters from time to time;

BUSINESS

- we have adopted policies, systems and procedures relating to human resources management, information system management, financial reporting and disclosure, cash flow and investment management; and
- we have adopted policies, systems and procedures relating to sales, procurement, suppliers, fixed assets management and the management of construction in progress.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed under “– Legal Proceedings and Compliance” above, the on-going monitoring and supervision by our Board and the principals of our schools with the assistance from professional external advisers where required and the fact that, as confirmed by the Directors, the non-compliance incidents did not involve fraud or dishonesty, the Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for listing under Rule 8.04 of the Listing Rules. Based on their review of the internal control report and other due diligence documents, discussions with the Directors, the Internal Control Consultant and our PRC Legal Adviser and the Directors’ confirmation, nothing has come to the attention of the Sole Sponsor that would cast doubts on the views of the Directors.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, our ability to offer quality education to our students, our ability to increase student enrolment and/or raising tuitions, our potential expansion into other regions in China, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar quality of education and have similar scale. Please refer to “Risk Factors” of this prospectus for further details of disclosures on various risks we face. In addition, we also face various market risks, such as foreign exchange, interest rate, credit and liquidity risks that arise in the normal course of our business. Please refer to “Financial Information – Quantitative and Qualitative Disclosures about Market Risk” of this prospectus for further details of a discussion on these market risks.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board is responsible and has the general power to manage the operations of our schools, and is in charge of the overall risk control of our Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions, raise tuitions or construct material new school facilities are reviewed, analysed and approved by our Board of Directors to ensure a thorough examination of the associated risks at our highest corporate governance body;
- we maintain insurance coverage which we believe is in line with the customary practice in the PRC education industry. We also adopt health and safety measures on our campuses to safeguard our students’ well-being; and
- we have made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with the consolidated financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The consolidated financial statements have been prepared in accordance with IFRS.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking Statements" and "Risk Factors" in this prospectus.

During the Track Record Period, we recorded imputed interest income on advances to Cinese Group and other related parties and incurred interest-bearing bank borrowings and interest expenses to fund such advances. We do not expect to recognise such imputed interest income or incur such bank borrowings or interest expenses following the Listing. Please refer to "– Imputed Interest Income and Related Interest Expenses" below for further details.

OVERVIEW

We were the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as of 1 September 2015, according to the Frost & Sullivan Report. Premium private schools offer higher quality education, more advanced educational facilities and a more satisfying environment to students through higher tuition fees than non-premium or mass market private schools, according to the Frost & Sullivan Report. As of 1 September 2016, we operated six premium private schools with a total student enrolment of 31,788 students.

We initially selected Dongguan, Guangdong province, to begin the development of our school network in 2003 based on its high population density, strategic location within the Pearl River Delta economic zone and rapidly expanding middle class population. In 2013, we expanded our school network to Huizhou, Guangdong province, another densely populated city with robust economic growth. After successfully establishing our presence and reputation in Guangdong province, we began to expand to other cities located in China's major economic zones. In September 2014, our school in Panjin, Liaoning province in the Northeast Three Provinces economic zone commenced operations. Our new school in Weifang, Shandong province in the Bohai Economic Rim economic zone commenced operations in September 2016 and recruited approximately 718 students as of 1 September 2016. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing.

Our educational objectives are "to serve the society with honesty and integrity through our services" and "to cultivate talents with a warm and loving heart" (以誠心服務社會, 以愛心培育人才). As an educational service provider, we believe we are entrusted to nurture the future of our society, and we therefore seek to provide our educational services in a manner consistent with the values and attitudes in which we believe. Our schools have received various awards in Guangdong province and in China, such as "Outstanding Private School in Dongguan" awarded by Dongguan Private Education Association in 2014, "Top 100 Education and Research Institution for Primary and Secondary Education in China" awarded by National Association of Primary and Secondary Education in 2013 and "Featured School for Traditional Sports in Guangdong (track and field)" awarded by the Sports Bureau and Department of Education of Guangdong Province in 2013.

We believe that we have a reputation for providing quality private education and that our brand name is well-known in and beyond the regions where our schools are located. For each of the 2013/2014, 2014/2015 and 2015/2016 school years, at least 94.8% of our high school graduates were admitted to universities in China, and for the 2013/2014, 2014/2015 and 2015/2016 school years,

FINANCIAL INFORMATION

approximately 18.4%, 21.4% and 23.2% of our high school graduates were admitted to First Class Universities in China, respectively. In addition, we provide international programmes for our high school students. Graduates from our international programmes were admitted to reputable universities and colleges overseas. We offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture, in order to facilitate the well-rounded development of our students.

We experienced stable growth during the Track Record Period in terms of student enrolment, teachers employed and revenue. From the year ended 31 August 2014 to the year ended 31 August 2016, our total revenue increased at a CAGR of approximately 15.8%. The table below sets forth certain information with respect to our growth.

	2013	As of 1 September		
		2014	2015	2016
Student enrolment	19,354	22,837	27,644	31,788
Number of teachers	1,162	1,359	1,666	1,960

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information set forth below is derived from the Accountants' Report set out in Appendix I to this prospectus and should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus, the operating data included elsewhere in this prospectus and "– Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

The following table presents a summary of our consolidated statements of profit and loss and other comprehensive income for the years ended 31 August 2014, 2015 and 2016:

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Year ended 31 August		
	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	450,913	568,715	700,741
Cost of revenue	(239,717)	(289,194)	(370,352)
Gross profit	211,196	279,521	330,389
Other income	7,007	6,858	7,499
Other gains and losses	176	(1,260)	(6,201)
Selling expenses	(6,289)	(7,513)	(13,271)
Administrative expenses	(72,150)	(76,114)	(93,945)
Listing expenses	–	–	(24,401)
Finance income	46,316	117,600	64,105
Finance costs	(73,987)	(106,750)	(69,640)
Profit before taxation	112,269	212,342	194,535
Taxation	(21,360)	(30,045)	(40,172)
Profit and total comprehensive income for the year	<u>90,909</u>	<u>182,297</u>	<u>154,363</u>
Attributable to:			
Owners of the Company	90,917	182,305	154,367
Non-controlling interests	(8)	(8)	(4)
	<u>90,909</u>	<u>182,297</u>	<u>154,363</u>

FINANCIAL INFORMATION

The following table presents a summary of our consolidated statements of financial position as of 31 August 2014, 2015 and 2016:

Consolidated Statements of Financial Position

	Our Group		
	At 31 August		
	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	925,194	1,006,912	1,344,405
Prepaid lease payments	218,308	213,055	226,324
Investment properties	17,500	18,100	19,700
Amounts due from related parties	1,074,930	99,220	–
Deposits	90,271	95,380	–
Deferred tax assets	666	677	2,775
Prepayments for construction to a related company	–	–	170,000
	<u>2,326,869</u>	<u>1,433,344</u>	<u>1,763,204</u>
CURRENT ASSETS			
Inventories – goods for sale	1,591	1,978	4,522
Deposits, prepayments and other receivables	51,952	25,761	30,416
Amounts due from related parties	287,537	1,486,418	550,830
Prepaid lease payments	5,253	5,253	5,698
Bank balances and cash	13,071	12,229	103,705
	<u>359,404</u>	<u>1,531,639</u>	<u>695,171</u>
CURRENT LIABILITIES			
Deferred revenue	224,817	285,146	365,005
Trade payables	14,362	25,185	39,936
Other payables and accrued expenses	286,552	203,971	207,549
Amounts due to related parties	336,908	432,838	339,788
Income tax payable	38,583	61,210	58,218
Borrowings	141,362	537,849	142,279
	<u>1,042,584</u>	<u>1,546,199</u>	<u>1,152,775</u>
NET CURRENT ASSETS (LIABILITIES)	<u>(683,180)</u>	<u>(14,560)</u>	<u>(457,604)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,643,689</u>	<u>1,418,784</u>	<u>1,305,600</u>
CAPITAL AND RESERVES			
Share capital/paid-in capital	83,400	83,400	–
Reserves	427,232	592,076	830,775
Equity attributable to owners of the Company	<u>510,632</u>	<u>675,476</u>	<u>830,775</u>
Non-controlling interests	(217)	(225)	–
	<u>510,415</u>	<u>675,251</u>	<u>830,775</u>
NON-CURRENT LIABILITIES			
Borrowings	1,128,638	737,651	465,421
Deferred tax liabilities	4,636	5,882	9,404
	<u>1,133,274</u>	<u>743,533</u>	<u>474,825</u>
	<u>1,643,689</u>	<u>1,418,784</u>	<u>1,305,600</u>

FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated statements of cash flows for the years ended 31 August 2014, 2015 and 2016:

Consolidated Statements of Cash Flows

	Year ended 31 August		
	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash from operating activities	241,100	319,148	337,612
Net cash (used in) from investing activities	(909,972)	(308,769)	251,066
Net cash from (used in) financing activities	648,035	(11,221)	(497,202)
Net (decrease) increase in cash and cash equivalents	(20,837)	(842)	91,476
Cash and cash equivalents at beginning of the year	33,908	13,071	12,229
Cash and cash equivalents at the end of the year	13,071	12,229	103,705

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the Accountants' Report set out in Appendix I to this prospectus and the operating data included elsewhere in this prospectus.

BASIS OF PRESENTATION

Due to regulatory restrictions on foreign ownership of our schools in China, we conduct a substantial portion of our business through our Consolidated Affiliated Entities. We do not hold any equity interests in our Consolidated Affiliated Entities. A wholly-owned subsidiary of our Company, Dongguan Ruixing, has entered into Contractual Arrangements with Guangdong Guangzheng and its equity holders, which became effective on 1 July 2016. As a result of the Contractual Arrangements, we effectively control our Consolidated Affiliated Entities and are able to receive substantially all of their economic interest returns. Consequently, we regard the Consolidated Affiliated Entities as indirect subsidiaries. We have consolidated the financial position and results of the Consolidated Affiliated Entities into our financial statements during the Track Record Period. Please refer to "Contractual Arrangements" of this prospectus and the significant accounting policies set out in the Accountants' Report included in Appendix I to this prospectus for further details. Our Directors are satisfied that our Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account our cash flow projection, repayment of advance from related parties, unutilised bank facilities and our future capital expenditure in respect of its non-cancellable capital commitments. Our Directors consider that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, our financial statements have been prepared on a going concern basis.

FINANCIAL INFORMATION

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 Education in China

Our business has benefited from the increasing demand for private education in China. Demand for private education in China is a function of a number of factors, including the level of economic development and changes in demographics. The overall economic growth and the increase in per capita disposable income have increased the level of per capita expenditure of urban households on education services in China, which increased at a CAGR of 7.1% from 2012 to 2015, according to the Frost & Sullivan Report. In addition, demand for private education has increased along with the growth in urban population in China. According to the Frost & Sullivan Report, the total number of students enrolled in the PRC private primary and secondary schools increased from 12.8 million in 2012 to 14.7 million in 2015, representing a CAGR of approximately 4.7%. From the year ended 31 August 2014 to the year ended 31 August 2016, our total revenue increased at a CAGR of approximately 15.8%. China's family planning policy was further relaxed in October 2015, and the related laws and regulations are expected to be further amended accordingly to allow almost all families to have two children, which may lead to a faster growth rate in urban populations in China, according to the Frost & Sullivan Report. Therefore, we anticipate the demand for high quality private education in China to continue to increase.

We are strategically expanding our school network to capitalise on the increasing demand for private education in China. As of the Latest Practicable Date, we had established schools in three of the five major economic zones, namely, the Pearl River Delta economic zone, the Northeast Three Provinces economic zone and the Bohai Economic Rim economic zone. As one of our development strategies, we intend to continue to strengthen our leading position in the Pearl River Delta economic zone with a focus on Guangdong province and intend to expand into the West Delta economic zone. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities, and have entered into a framework agreement with the local government of Dinghu District, Zhaoqing, Guangdong province for the potential cooperation between the parties for the establishment of a new school in Zhaoqing. We also intend to engage in discussions with the local government authorities of various cities in Guangdong, Shandong and Sichuan provinces to explore the possibility of establishing a new school in each city. In addition, we entered into a memorandum of understanding with Dewey College with respect to the parties' potential cooperation on the development of a new school overseas. Please refer to "Business – Development of New Schools" of this prospectus for further details.

Student Enrolment Levels

Our revenue largely depends on the number of students enrolled in our schools, which affects the amount of tuition fees, boarding fees and fees from ancillary services we collect from our students. As of 1 September 2013, 2014, 2015 and 2016, the total number of students enrolled in our schools amounted to approximately 19,354, 22,837, 27,644 and 31,788, respectively, growing at a CAGR of 13.2% from 2013 to 2016. Our student enrolment level depends on a number of factors, in particular, the reputation of our schools, which is mainly driven by the quality of education we provide, our tuition levels and our capacity. The quality of education we provide is mainly reflected by the placement of our graduates, the well-rounded development of our students, the curriculum offered at our schools and our school facilities. We believe our proven track record in these aspects will continue to help us attract students who seek premium private education. Moreover, the quality of our teachers is also a major factor that has in the past played, and will continue to play, an important role in the success of our schools. Accordingly, we provide competitive compensation to attract and retain high quality teachers, maintain continuous training programmes and enforce stringent teacher evaluation systems to maintain and improve our teachers' performances, which we believe will have a positive impact on student enrolment levels at our schools.

FINANCIAL INFORMATION

Tuition and Boarding Fees

Our results of operations are affected by the level of tuition and boarding fees we charge. We charged tuition and boarding fees ranging between RMB14,200 and RMB21,200 per student for the 2013/2014 school year, between RMB13,000 and RMB25,200 per student for the 2014/2015 and between RMB13,000 and RMB25,200 for the 2015/2016 school years for our PRC curriculum programmes. For our international programmes, we charged tuition and boarding fees ranging between RMB36,200 and RMB92,600 per student for the 2013/2014, 2014/2015 and 2015/2016 school years.

During the Track Record Period, the tuition and boarding fees we charge per school year increased from RMB21,000-RMB21,400 to RMB23,200 per middle school student and from RMB23,000-RMB23,100 to RMB25,200 per high school student for newly admitted students of Dongguan Guangming School, and the tuition and boarding fees we charge per school year increased from RMB15,000 to RMB16,000-RMB18,000 per primary school student, from RMB17,000 to RMB18,000-RMB19,400 per middle school student and from RMB17,600 to RMB20,400 per high school student at Dongguan Guangzheng Preparatory School.

There are two school terms in each school year. We usually require students to pay tuition and boarding fees prior to the commencement of each school term. The tuition and boarding fees we charge are typically based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. While we have successfully increased tuition and boarding rates at certain of our schools during the Track Record Period, there is no guarantee we will be able to continue to raise tuition and boarding fees. Please refer to “Risk Factors – Risks Relating to Our Business and Our Industry – Our business depends on our ability to maintain or raise the tuition and boarding fee levels we charge at our schools” of this prospectus for further details. For those students who are unable to complete a school term, we have refund policies in place. We also offer partial tuition fee waiver to a certain percentage of our middle and high school students and discounted tuition fee rates to children of our teachers and staff who enrol in our schools. Please refer to “Business – Our Schools – Tuition and Boarding Fees” of this prospectus for further details.

According to the Frost & Sullivan report, tuition rates at our schools are higher than those in the public school system in China. Historically, we have kept our tuition and boarding fees at levels we believe are competitive as compared to our competitors in order to attract more students and thereby, increase our student enrolment and market share. During the Track Record Period, even though we increased our tuition rates on several occasions for certain of our schools, we believe such increases did not adversely impact our reputation or affect our student enrolment.

FINANCIAL INFORMATION

Utilisation Rate of Our Facilities

In addition to student enrolment and tuition and boarding fees, the utilisation rate of our school facilities may also affect our revenue, gross margin and growth capacity. We incur a substantial amount of fixed costs in relation to the operation of our business each year. If we are able to increase the utilisation rate of our facilities, especially the utilisation rate of our schools that were established relatively recently, we expect to improve our gross margin. As of 1 September 2013, 2014, 2015 and 2016, we had an overall facility utilisation rate of approximately 83.7%, 89.0%, 90.5% and 95.9%, respectively, based on an aggregate capacity of 23,128, 25,719, 30,552 and 33,152, respectively, for all of our schools. The table below sets forth the utilisation rate of each of our existing schools as of the dates indicated:

School	School Utilisation Rate (%) ⁽¹⁾ as of 1 September			
	2013 ⁽²⁾	2014 ⁽³⁾	2015 ⁽⁴⁾	2016 ⁽⁵⁾
Dongguan Guangming School	99.5	99.5	98.9	97.8
Dongguan Guangming Primary School	89.9	93.3	98.3	98.6
Dongguan Guangzheng Preparatory School	62.0	81.5	85.9	93.7
Huizhou Guangzheng Preparatory School	27.1	61.7	72.2	97.0
Panjin Guangzheng Preparatory School	–	41.0	68.7	85.2
Weifang Guangzheng Preparatory School	–	–	–	95.5
Total	<u>83.7</u>	<u>89.0</u>	<u>90.5</u>	<u>95.9</u>

Notes:

- (1) School utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school. Capacity for students of a school is calculated based on the approximate number of beds available in student dormitories according to the internal records and calculations of the school. Please refer to “Business – Our Schools – Number of Students” of this prospectus for further details. Although we have calculated our schools’ respective capacity based on the number of beds available, we believe the facilities at certain of our schools may accommodate additional beds without material capital expenditure (subject to the receipt of necessary approvals).
- (2) Represents the beginning of 2013/2014 school year.
- (3) Represents the beginning of 2014/2015 school year.
- (4) Represents the beginning of 2015/2016 school year.
- (5) Represents the beginning of 2016/2017 school year.

Utilisation rates of our schools that were established more recently are relatively lower because most students enrol from first grade, and student enrolment in our new schools will gradually increase as students progress into higher grades. It usually takes a few years for a new school to increase its utilisation rate to high levels, which is affected by various factors, including market condition, pricing and the reputation of our schools, as well as competition in the relevant market. Our results of operations are affected by the amount of time our new schools take to increase their utilisation rate to a relatively high level. We added two new schools to our school network as of 1 September 2013, namely, Dongguan Guangzheng Preparatory School, which was acquired in August 2013, and Huizhou Guangzheng Preparatory School, which commenced operations in September 2013. Our overall utilisation rate increased from 83.7% as of 1 September 2013 to 89.0% as of 1 September 2014, mainly due to increased student enrolment in Dongguan Guangzheng Preparatory School and

FINANCIAL INFORMATION

Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us. As part of our strategy, we intend to continue to expand our existing schools and establish new schools to increase our capacity. Please refer to the table below and “Business – Development of New Schools” of this prospectus for further details.

As of the Latest Practicable Date, the expansion of Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School was in progress and Guang’an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School were under construction. For illustrative purpose, the following table sets forth the student enrolment, the existing or target capacity and the utilisation rates of these schools as of 1 September 2016 based on the schools’ internal records and calculations, the relevant school campus construction plans or the cooperation agreement with the relevant local government, as the case may be:

School	Student enrolment	Existing or target capacity for students	Utilisation rate ⁽⁴⁾
Dongguan Guangming School	10,510	10,744 ⁽¹⁾	97.8%
Dongguan Guangming Primary School	5,973	6,060 ⁽¹⁾	98.6%
Dongguan Guangzheng Preparatory School	9,094	15,226 ⁽²⁾	59.7%
Huizhou Guangzheng Preparatory School	3,903	9,464 ⁽²⁾	41.2%
Panjin Guangzheng Preparatory School	1,590	5,100 ⁽³⁾	31.2%
Weifang Guangzheng Preparatory School	718	7,200 ⁽³⁾	10.0%
	31,788	53,794	59.1%
Guang’an Guangzheng Preparatory School	–	7,860 ⁽³⁾	–
Yunfu Guangzheng Preparatory School	–	7,000 ⁽³⁾	–
	<u>31,788</u>	<u>68,654</u>	<u>46.3%</u>

Notes:

- (1) The capacity for Dongguan Guangming School and Dongguan Guangming Primary School is calculated based on the approximate number of beds available in student dormitories according to the respective school’s internal records and calculations.
- (2) The capacity for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School is calculated based on the estimated number of students that the student dormitories of the respective schools were designed to accommodate according to the relevant school campus construction plans, assuming that the expansion had been completed accordingly as of 1 September 2016.
- (3) The capacity for Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Guang’an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School is based on the target maximum capacity for primary and middle school and international programme students as set forth in the cooperation agreements with the relevant local government authorities.
- (4) The utilisation rate of each of our schools is calculated by dividing the number of students enrolled at a school by the existing or target capacity for students of the school.

FINANCIAL INFORMATION

- (5) In addition to the cooperation agreements with the relevant local governmental authorities for the proposed establishment of Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School, we have also entered into a framework agreement with the local government for the potential establishment of a new school in Zhaoqing. The above table does not include information of this proposed new school as the details thereof will be subject to the parties' further discussion if we proceed with the establishment of this school.

Teachers' Salaries

Our profitability also depends on our ability to effectively control our costs. A significant component of our cost of revenue is staff costs, which primarily consist of salaries and other benefits for our teachers. We offer competitive remuneration to our teachers in order to attract and retain high-quality teachers and maintain and improve the teaching quality of our schools. For the years ended 31 August 2014, 2015 and 2016, salaries and other benefits for our teachers represented 28.4%, 27.0%, and 28.2% of our revenue, and 53.5%, 53.1% and 53.3% of our cost of revenue, respectively. Our staff costs increased during the Track Record Period as a result of increased number of teachers employed by us, as well as an increase in compensation levels. We employed approximately 1,162, 1,359, 1,666 and 1,960 teachers for our schools as of 1 September 2013, 2014, 2015 and 2016, respectively. In March 2015, we increased teachers' salaries at Dongguan Guangming School and Dongguan Guangming Primary School, as part of our strategy to maintain and attract high-quality teachers. As we continue to expand our school network and increase the capacity of our existing schools, we will need to recruit more teachers. We may also need to increase teachers' salaries and other benefits from time to time to stay competitive in the labour market. As a result, our staff costs as a percentage of revenue may increase. If we are unable to effectively manage any such increase, our profitability and results of operations may be adversely affected. Please refer to "Risk Factors – Our business depends on our ability to recruit and retain qualified and committed teachers and other school personnel" of this prospectus for further details.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our consolidated financial statements are prepared in accordance with the significant accounting policies set out in the Accountants' Report included in Appendix I to this prospectus. We set forth below certain information with respect to those accounting policies which we believe are of critical importance to us or involve the most critical accounting estimates and judgments used in the preparation of our consolidated financial statements. Our estimates are based on our historical experience and other factors that we consider to be relevant and are reviewed on an on-going basis. However, our actual results may differ from these estimates. We have not changed our material assumptions or estimates in the past and have not noticed any material error regarding our assumptions or estimates. Our significant accounting policies and our accounting policies requiring critical accounting judgment or providing key sources of estimation uncertainty are set forth in note 3 and 4 of the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition

We measure revenue at the fair value of the consideration we receive or is receivable by us. Our revenue is reduced for estimated returns, discounts, and sales related tax. Our revenue consists of tuition fees, boarding fees and revenue from ancillary services. Our tuition and boarding fees are generally paid in advance at the beginning of each school semester, and we initially record such these payments as deferred revenue. We then recognise tuition and boarding fees as revenue proportionately over the relevant period of the applicable programme. We typically refund 90% of the tuition fees paid if a student withdraws before the school semester starts, 70% if the student withdraws after the school term starts but before the end of the first calendar month of the school term, 50% if the student withdraws after the first calendar month and prior to the end of the second calendar month of the school term, and 30% if the student withdraws after the end of the second calendar month and prior to the end of the third calendar month of the school term. We do not offer refund of tuition fees paid if the student withdraws after the end of the third month of the school term.

FINANCIAL INFORMATION

The following table sets forth the number of students withdrawn from our schools and the amount of tuition fee refunds paid by us in the respective school year indicated below:

	2013/2014	School year 2014/2015	2015/2016
Total number of students withdrawn from our schools (percentage of the total student enrolment)	111 (0.6%)	141 (0.6%)	209 (0.8%)
Amount of tuition fee refunds paid by us	RMB0.7 million	RMB0.9 million	RMB1.3 million

Revenue from ancillary services is recognised when the goods are delivered and services are provided to the students and the students have made payments for the relevant services.

Property, Plant and Equipment

Our property, plant and equipment, other than construction in progress, including our schools and administrative offices in use, are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. We recognise depreciation on property, plant and equipment in use using the straight-line method so as to write off the cost of items of property, plant and equipment to their estimated residual values over their estimated useful lives. We review the estimated useful lives, residual values and depreciation method at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Our estimates of useful lives are based on our experience of the actual useful lives of property, plant and equipment of similar nature and functions. We increase the depreciation charge where useful lives are estimated to be shorter than previously estimated.

We carry construction in progress at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

We also assess our property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable and write-off or write-down obsolete assets that have been abandoned or impaired. We did not have material instances of impairment to plant, property and equipment due to obsolescence or otherwise during the Track Record Period.

As at 31 August 2014, 2015 and 2016, the carrying amount of property, plant and equipment were RMB925.2 million, RMB1,006.9 million and RMB1,344.4 million, respectively. Any change in our estimates with respect to the useful lives, residual values or value in use of our property, plant or equipment may have a material impact on our results of operations.

Accounting Judgments

In the process of applying our accounting policies, our Directors have made the following critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements and related notes:

Contractual Arrangements

We conduct a substantial portion of our business through the Consolidated Affiliated Entities in China due to regulatory restrictions on foreign ownership in our schools in the PRC. Although we do not have any equity interest in the Consolidated Affiliated Entities, our Directors concluded that we

FINANCIAL INFORMATION

have control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures, as we have the power over the Consolidated Affiliated Entities, have rights to variable returns from our involvement with the Consolidated Affiliated Entities and have the ability to affect those returns through our power over the Consolidated Affiliated Entities. Accordingly, we have consolidated the financial information of our Consolidated Affiliated Entities during the Track Record Period in the consolidated financial statements.

RESULTS OF OPERATIONS

The following table presents our summary consolidated statements of profit or loss and other comprehensive income for the years ended 31 August 2014, 2015 and 2016:

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Revenue	450,913	568,715	700,741
Cost of revenue	(239,717)	(289,194)	(370,352)
Gross profit	211,196	279,521	330,389
Other income	7,007	6,858	7,499
Other gains and losses	176	(1,260)	(6,201)
Selling expenses	(6,289)	(7,513)	(13,271)
Administrative expenses	(72,150)	(76,114)	(93,945)
Listing expenses	–	–	(24,401)
Finance income	46,316	117,600	64,105
Finance costs	(73,987)	(106,750)	(69,640)
Profit before taxation	112,269	212,342	194,535
Taxation	(21,360)	(30,045)	(40,172)
Profit and total comprehensive income for the year	90,909	182,297	154,363

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derive revenue from tuition fees and boarding fees collected from our students and from ancillary services provided to our students. The table below sets forth the revenue generated from tuition fees, boarding fees and ancillary services, by amount and as a percentage of our total revenue, for the periods indicated:

	Year ended 31 August					
	2014 (RMB'000)	%	2015 (RMB'000)	%	2016 (RMB'000)	%
Tuition fees	315,211	69.9%	391,685	68.9%	489,561	69.9%
Boarding fees	36,439	8.1%	50,539	8.9%	60,555	8.6%
Ancillary services	99,263	22.0%	126,491	22.2%	150,625	21.5%
Total revenue	450,913	100%	568,715	100%	700,741	100%

FINANCIAL INFORMATION

The table below sets forth the revenue generated from each school for the periods indicated, by amount and as a percentage of our total revenue:

	Year ended 31 August					
	2014		2015		2016	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Revenue						
Dongguan Guangming School						
Tuition fees	181,521	40.2%	187,559	33.0%	195,498	28.0%
Boarding fees	19,202	4.3%	22,078	3.9%	22,309	3.2%
Ancillary services ⁽¹⁾	78,784	17.5%	89,889	15.8%	94,577	13.3%
	<u>279,507</u>	<u>62.0%</u>	<u>299,526</u>	<u>52.7%</u>	<u>312,384</u>	<u>44.5%</u>
Dongguan Guangming Primary School						
Tuition fees	68,240	15.1%	83,607	14.7%	100,407	14.3%
Boarding fees	9,531	2.1%	13,129	2.3%	15,209	2.2%
Ancillary services ⁽¹⁾	–	–%	–	–%	–	–%
	<u>77,771</u>	<u>17.2%</u>	<u>96,736</u>	<u>17.0%</u>	<u>115,616</u>	<u>16.5%</u>
Dongguan Guangzheng Preparatory School						
Tuition fees	63,194	14.0%	97,423	17.1%	138,893	19.8%
Boarding fees	7,515	1.7%	12,534	2.2%	16,700	2.4%
Ancillary services	19,692	4.4%	29,909	5.3%	39,098	5.6%
	<u>90,401</u>	<u>20.1%</u>	<u>139,866</u>	<u>24.6%</u>	<u>194,691</u>	<u>27.8%</u>
Huizhou Guangzheng Preparatory School						
Tuition fees	2,256	0.5%	18,929	3.4%	41,779	6.0%
Boarding fees	191	0.0%	2,465	0.4%	5,338	0.8%
Ancillary services	787	0.2%	5,903	1.0%	12,625	1.8%
	<u>3,234</u>	<u>0.7%</u>	<u>27,297</u>	<u>4.8%</u>	<u>59,742</u>	<u>8.6%</u>
Panjin Guangzheng Preparatory School						
Tuition fees	–	–%	4,167	0.7%	12,984	1.9%
Boarding fees	–	–%	333	0.1%	999	0.1%
Ancillary services	–	–%	790	0.1%	4,325	0.6%
	<u>–</u>	<u>–%</u>	<u>5,290</u>	<u>0.9%</u>	<u>18,308</u>	<u>2.6%</u>
Total	<u><u>450,913</u></u>	<u><u>100%</u></u>	<u><u>568,715</u></u>	<u><u>100%</u></u>	<u><u>700,741</u></u>	<u><u>100%</u></u>

Note:

- (1) During the Track Record Period, ancillary services for Dongguan Guangming Primary School were provided through the facilities of Dongguan Guangming School and revenue from ancillary services for Dongguan Guangming Primary School was recognised as revenue from ancillary services attributable to Dongguan Guangming School.

FINANCIAL INFORMATION

Tuition fees consist of the amount we charge our students for the educational services provided, such as curriculum and teaching materials, at our schools. Boarding fees consist of the amount we charge our students for staying at our on-campus dormitories. Ancillary services mainly include services provided at our on-campus canteens and medical rooms.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of goods sold for ancillary services, which primarily consist of cost of goods sold at our on-campus canteens, (iii) depreciation and amortisation on property, plant and equipment and land and buildings used by our schools, (iv) utilities and maintenance costs for our schools and (v) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses. The following table sets forth the components of our cost of revenue, by amount and as a percentage of revenue, for the periods indicated.

	Year ended 31 August					
	2014		2015		2016	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Staff costs	128,260	28.4%	153,633	27.0%	197,501	28.2%
Cost of goods sold for ancillary services	47,432	10.5%	57,549	10.1%	76,336	10.9%
Depreciation and amortisation	28,869	6.4%	38,894	6.8%	46,739	6.7%
Utilities and maintenance	21,776	4.8%	22,775	4.0%	26,096	3.7%
Education expenses	13,380	3.0%	16,343	2.9%	23,680	3.4%
Total cost of revenue	239,717	53.1%	289,194	50.8%	370,352	52.9%

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of our staff costs during the Track Record Period, assuming no change of any other costs. The sensitivity analysis is hypothetical in nature and we assume that all other variables remained constant. The following sensitivity analysis is for illustrative purposes only, which indicates the likely 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 impact on our profit for the year with a 5% and 10% increase or decrease in tuition fees income and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and staff costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees and staff costs on our revenue and profitability.

FINANCIAL INFORMATION

	Year ended 31 August		
	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
<i>Sensitivity analysis of tuition fees</i>			
Tuition fee income (decrease)/increase	Impact to our profit for the year		
(10)%	(23,641)	(29,376)	(36,717)
(5)%	(11,820)	(14,688)	(18,359)
5%	11,820	14,688	18,359
10%	23,641	29,376	36,717
 <i>Sensitivity analysis of staff costs</i>			
Staff costs (decrease)/increase	Impact to our profit for the year		
(10)%	9,620	11,522	14,813
(5)%	4,810	5,761	7,406
5%	(4,810)	(5,761)	(7,406)
10%	(9,620)	(11,522)	(14,813)

Other Income

Investment and other income primarily consist of (i) rental income from investment properties, (ii) government grants, which primarily consists of discretionary and non-conditional subsidies we received from the PRC government authorities for organising school activities and outstanding academic performance of our schools, (iii) donations, (iv) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff and (v) other income.

Other Gains and Losses

Other gains and losses primarily consist of (i) net losses recognised upon the disposal of property, plant and equipment, (ii) gains arising from change in fair value of investment properties, (iii) gains arising from bargain purchase from our acquisition of Dongguan Guangzheng Preparatory School, (iv) penalties and late surcharges, which consist of the late payment surcharge imposed by tax authorities and a penalty imposed by a government authority in Panjin on Panjin Guangzheng for violating the relevant PRC laws and regulations. Please refer to “– Taxation” below for further details, (v) losses recognised upon the disposal of Dongguan Guangzheng Pharmaceutical and Nantong Guangzheng Property and (vi) other gains and losses.

Selling Expenses

Selling expenses primarily consist of (i) advertising expenses, which primarily comprise expenses for advertising our schools in newspapers and other media and public relations expenses, (ii) salaries for our marketing staff and (iii) other marketing expenses, which primarily comprise student recruitment bonuses, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools. The table below summarises our selling expenses, by amount and as a percentage of revenue, for the periods indicated.

	Year ended 31 August					
	2014	2015		2016		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Advertising expenses	4,979	1.1%	6,274	1.1%	9,243	1.3%
Salaries for marketing staff	267	0.1%	176	0.0%	331	0.1%
Other marketing expenses	1,043	0.2%	1,063	0.2%	3,697	0.5%
Total selling expenses	6,289	1.4%	7,513	1.3%	13,271	1.9%

FINANCIAL INFORMATION

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) rental expenses, (iii) depreciation of office buildings and equipment, (iv) office expenses, (v) travel expenses, (vi) entertainment expenses and (vii) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses. The table below summarises our administrative expenses, by amount and as a percentage of revenue, for the periods indicated.

	Year ended 31 August					
	2014		2015		2016	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Salaries and other benefits	49,211	10.9%	50,119	8.8%	60,466	8.6%
Depreciation of office buildings and equipment	5,401	1.2%	7,396	1.3%	8,177	1.3%
Rental expenses	2,900	0.6%	3,306	0.6%	3,661	0.5%
Office expenses	2,904	0.6%	2,817	0.5%	4,333	0.6%
Travel expenses	1,065	0.2%	1,165	0.2%	1,546	0.2%
Entertainment expenses	870	0.2%	974	0.2%	1,526	0.2%
Other expenses	9,799	2.2%	10,337	1.8%	14,236	2.0%
Total administrative expenses	72,150	16.0%	76,114	13.4%	93,945	13.4%

Listing Expenses

Listing expenses consists of expenses incurred in relation to the Global Offering. We did not incur any listing expenses for the years ended 31 August 2014 and 2015 and incurred listing expenses of RMB24.4 million for the year ended 31 August 2016 in relation to the preparation for our Global Offering.

Finance Income

Finance income consists of (i) imputed interest income on advances to Cinese Group; (ii) imputed interest income on advances to other related parties; (iii) interest income from deposits paid to a local government to secure a school building project; and (iv) interest income from bank deposits. The table below sets forth the components of our finance income for the periods indicated.

	Year ended 31 August		
	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Imputed interest income on advances to Cinese Group ⁽¹⁾	34,923	101,074	63,950
Imputed interest income on advances to other related parties ⁽¹⁾	7,298	11,328	–
Interest income from deposits paid for a school building project	3,824	5,109	–
Bank interest income	271	89	155
	46,316	117,600	64,105

FINANCIAL INFORMATION

Note:

- (1) The amount of the advances to Cinese Group and other related parties was measured at its fair value at initial recognition based on the best estimate of the expected repayments by Cinese Group and other related parties at the time of recognising the amount due from Cinese Group and other related parties. The differences between the amount due from Cinese Group and other related parties and the fair value at initial recognition were recognised in equity as deemed distribution to equity holders, and the amount due from Cinese Group and other related parties was then carried at amortised cost using the effective interest method. Subsequently, if we revise our estimate of the expected repayments by Cinese Group and other related parties, the carrying amount of such amount due from Cinese Group and other related parties will be adjusted to reflect the actual and revised estimated cash flow. The adjustments were also recognised in equity as deemed distribution to equity holders. Due to the nature of the imputed interest income as a hypothetical income under IFRS, it had no cash inflow during the Track Record Period. As at the Latest Practicable Date, all the amounts due to and from related parties which were non-trade in nature had been fully settled. Please refer to “– Imputed Interest Income and Related Interest Expenses” below for further details.

Finance Costs

Finance costs consist of the interest expenses for our bank and other borrowings less interest capitalized in the cost of property, plant and equipment. The table below sets forth the components of our finance costs for the periods indicated.

	Year ended 31 August		
	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Interest expense on bank and other borrowings			
– wholly repayable within 5 years	67,465	86,124	70,159
– not wholly repayable within 5 years	11,574	23,752	9,849
Less: amounts capitalised in the cost of property, plant and equipment	<u>(5,052)</u>	<u>(3,126)</u>	<u>(10,368)</u>
	<u>73,987</u>	<u>106,750</u>	<u>69,640</u>

Taxation

Our income tax comprises current and deferred tax.

Our Company was incorporated in the Cayman Islands and is tax exempted under the tax laws of Cayman Islands as no business is carried out in Cayman Islands. Our wholly owned subsidiary, Bright Education BVI, was incorporated in the BVI and is tax exempted under the tax laws of BVI as no business is carried out in BVI.

Our wholly owned subsidiary in Hong Kong, Bright Education HK, is subject to profits tax under the tax laws of Hong Kong. However, no provision for Hong Kong profits tax has been made as our operations in Hong Kong had no assessable profit during the Track Record Period.

FINANCIAL INFORMATION

Our subsidiaries and Consolidated Affiliated Entities in the PRC are subject to EIT of 25%. In preparation of the Global Offering, we identified that the tax filings of certain members of our Group may not be complete and that past filings of those entities may not be accurate, due to the following:

- (i) ambiguities in the relevant PRC tax laws and regulations with respect to
 - (a) private schools, school sponsors of which require reasonable returns:

In the PRC, school sponsors of private schools may or may not require “reasonable return” depending on various factors. According to the Law for Promoting Private Education and its implementing rules, private schools with school sponsors not requiring reasonable returns should be eligible for tax incentives that are the same as public schools, such as EIT exemption, subject to the local government and tax bureau’s approval. On the other hand, for private schools with school sponsors requiring reasonable returns, according to the Law for Promoting Private Education and its implementing rules, any preferential tax treatment policies shall be separately formulated by the relevant authorities. However, as of the Latest Practicable Date, there were no formal PRC tax rules or regulations elaborating the tax incentives applicable to private schools with school sponsors requiring reasonable returns.

All of our schools are private schools with the school sponsors requiring reasonable returns. There were no PRC laws or regulations which defines the meaning of “reasonable return” as of the Latest Practicable Date. Pursuant to the Notices and Regulations, the return rate for school sponsors of private primary and middle schools should not exceed 5%-8% of the costs for students’ education, which mainly include staff cost, depreciation, utilities, repairs and maintenance costs and other direct operating costs. We took such percentage as the benchmark in determining the amount of “reasonable return” when preparing our initial EIT filings for PRC tax purposes.

We previously considered that the entire profits of our schools comprised the “portion of reasonable return” and “portion exceeding reasonable return”, and that the “portion of reasonable return”, which the school sponsors are entitled to receive (even though the school sponsors of our schools have never received so), should be subject to EIT on the ground that there was no formal PRC tax rule or regulation elaborating the applicable tax incentives in this aspect, while the “portion exceeding reasonable return” should be eligible for EIT exemption on the ground that this portion of profits is non-distributable to the school sponsors, which are identical, in substance, to those private schools the school sponsors of which do not require reasonable returns. Accordingly, we have taken into account the benchmark in the Notices and Regulations in determining the “reasonable return portion” of our profits and arriving at the total taxable profit of RMB49.8 million for the calendar years 2013, 2014 and 2015 for the purpose of preparing the initial tax filings. The total taxable profit of RMB49.8 million was approximately equal to the total costs for students’ education of our schools (amounting to approximately RMB1,047.9 million in aggregate for the calendar years 2013, 2014 and 2015) multiplied by the respective return rate ranging from 2.2% to 7.0% for school sponsor of our schools for the corresponding calendar year. We adopted this approach based on our interpretation and understanding of the local EIT regulations and our understanding of the common EIT filing practices in the same industry and region. We did not make enquiries in relation to the above interpretation prior to making tax filing with the competent local tax authority in Dongguan as it was a general practice for the tax authority to review the tax filings, and object to such filings if the tax authority disagreed with such filings. This general practice was confirmed by the competent local tax authority in Dongguan in an interview that we, together with the Sole Sponsor, our PRC Legal Adviser and our tax consultant, conducted with them in March 2016. In addition, the tax authority has not objected to the aforesaid initial EIT filings made for the calendar years 2013, 2014 and 2015.

FINANCIAL INFORMATION

After obtaining a better understanding of the relevant tax rules and compliance requirements based on the advice of the tax consultant and the aforesaid interview conducted with the competent local tax authority in March 2016, we subsequently made EIT back filings together with late payment charges based on the reassessed total taxable profit of RMB167.3 million to rectify the historical shortfall of EIT payment.

In addition, we, together with the Sole Sponsor, our PRC Legal Adviser and our tax consultant, conducted another interview with the competent local tax authority in Dongguan in December 2016, during which the tax authority confirmed, among other things, that (a) none of Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School was subject to any records of outstanding tax, tax omission or other non-compliance with laws and regulations, and the tax authority has already issued tax certificates to such schools confirming that their tax filings were in compliance with the applicable laws and regulations; (b) none of such schools had ever been subject to investigations by the tax authority by reason of any suspected or intentional tax evasion or omission; (c) each of such schools, after clarifying the preferential tax treatment under the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), had already proactively paid the additional tax and late payment surcharge; (d) the previous misunderstanding in the applicable requirements on tax resulting in late payment should not constitute any intentional non-compliance and hence should not be regarded as intentional tax evasion or omission; and (e) such schools had effectively rectified the historical shortfall under the previous tax filings by paying the additional tax and the tax authority has not raised any objection in relation to such previous tax filings.

Based on the aforesaid interview and the tax certificates, and given that (i) Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School had made additional tax payment and late payment surcharge to rectify the historical tax shortfall on their own initiatives; and (ii) such schools had not been investigated or penalized by the tax authorities during the Track Record Period, our PRC Legal Adviser is of the view that the historical tax shortfall has been rectified, and the possibility of the tax authorities initiating an investigation or proceeding, imposing penalty or demanding additional tax payment from our Group as a result of the historical tax shortfall is relatively remote;

- (b) the treatment of earnings generated from on-campus canteens:

According to the relevant business tax and VAT regulations on the education industry, business tax and VAT shall be exempted from income generated from the provision of educational services, which should specifically be related to certain types of relevant income, subject to certain restrictions. However, the business tax and VAT regulations do not further elaborate in detail the business tax and VAT treatment when students consume part of the food onsite and part of the food offsite, creating ambiguities on how the relevant income should be apportioned and whether business tax and VAT exemption could be applied on the total income from providing the meal or catering services by the canteens. As such, we made the initial business tax and VAT filing based on an aggregate taxable income of RMB2.2 million for the calendar year 2013, 2014 and 2015.

After obtaining a better understanding of the relevant tax rules and compliance requirements from the competent tax authorities, we subsequently made business tax and VAT back filings together with late payment charges based on the aggregate additional taxable income of RMB83.6 million to rectify the historical shortfall of business tax and VAT payment; and

FINANCIAL INFORMATION

- (ii) our observation that, based on publicly available information, none of the schools operated by other PRC-based education companies listed on the Stock Exchange paid any EIT in the PRC.

We first became aware of the possible historical shortfall relating to the PRC EIT, business tax and VAT in the beginning of 2016 during the communications with our Reporting Accountants, which were engaged and conducted audit field work for us in connection with the preparation for the Global Offering. We then sought to gain a better understanding of the relevant tax regulations and practices, as well as such ambiguities with an aim to rectify and discharge any outstanding tax obligations. As a result, we engaged a tax consultant in February 2016 to review our tax filings, and sought advice from such tax consultant about the ambiguities relating to the relevant PRC tax laws and the appropriate remedial actions. According to the tax consultant, under the prevailing EIT laws, school sponsors which do not require reasonable returns are eligible for the same tax incentives that are applicable to public schools, such as EIT exemption. Given that school sponsors of all our schools require reasonable returns, based on the advice of the tax consultant and the interviews conducted with the relevant tax authorities, we decided not to formally apply to the tax authorities for EIT exemptions. According to the tax consultant, we underpaid certain PRC taxes during the Track Record Period, including EIT, business tax and VAT. Based on the tax consultant's advice, we have made tax provisions, including provisions for the historical shortfall of EIT, for the three financial years ended 31 August 2015 and the nine months ended 31 May 2016 in the amount of RMB88.2 million. In July and August 2016, our relevant PRC entities made re-filings with the relevant tax authorities and obtained tax clearance letters with respect to EIT, business tax and VAT payable for the calendar years 2013, 2014 and 2015. As of the Latest Practicable Date, such PRC entities had already paid the tax for the initial EIT filings of RMB12.5 million and tax shortfall for EIT of RMB29.8 million and VAT of RMB2.5 million for the aforesaid re-filings for the calendar years 2013, 2014 and 2015, and had also paid the late payment surcharge in the total amount of RMB4.8 million to the relevant tax authorities.

Among the existing school of our Group, Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School were the only schools established prior to the calendar year 2013 with substantial business operation, of which Dongguan Guangzheng Preparatory School was only acquired by our Group in August 2013. Dongguan Guangming School and Dongguan Guangming Primary School did not make additional tax provision or payment of EIT shortfall in respect of the calendar years prior to 2013 since their establishment, based on a number of factors, including:

- (i) after we made the payments to rectify the historical shortfall of EIT payment, the Company, together with the Sole Sponsor, our PRC Legal Adviser and the tax consultant to our Group, conducted the aforesaid interview with the competent local tax authority in Dongguan in December 2016, during which the tax authority confirmed, among other things, that (a) none of these two schools was subject to any records of outstanding tax, tax omission or other non-compliance with laws and regulations, and the tax authority has already issued tax certificates to such schools confirming that their tax filings were in compliance with the applicable laws and regulations; (b) none of these two schools had ever been subject to investigations by the tax authority by reason of any suspected or intentional tax evasion or omission; and (c) these two schools had effectively rectified the historical shortfall under the previous tax filings by making the additional tax payment and the tax authority had not raised any objection in relation to such previous tax filings. Based on this interview and the tax certificates, and given that (a) these two schools had made additional tax payment and late payment surcharge to rectify the historical tax shortfall on their own initiatives; and (b) these two schools had not been investigated or penalized by the tax authorities during the Track Record Period, our PRC Legal Adviser is of the view that the possibility of the tax authorities initiating an investigation or proceeding, imposing penalty or demanding additional tax payment from our Group as a result of the historical tax shortfall is relatively remote; and
- (ii) after these two schools have obtained their tax registration, the local tax authority accepted their tax re-filings for the period from 1 September 2012 up to 31 December 2015 and our schools have never been requested to make payments of EIT shortfall in respect of the calendar years prior to 2013.

FINANCIAL INFORMATION

Based on the aforesaid interview with the competent local tax authority, the tax certificates and the advice of our PRC Legal Adviser, our schools do not consider it necessary to make payment of EIT shortfall in respect of the calendar years prior to 2013.

As at the Latest Practicable Date, save for the aforesaid late payment surcharge which had been fully paid, no administrative action, fine or penalty had been imposed by the relevant tax authorities with respect to the aforesaid matters, nor had we been required to pay any underpaid amounts. Subsequent to the aforesaid re-filings and payment, our PRC entities have also obtained written confirmation from the relevant tax authorities confirming that we have made tax payments and that they have not found incidents of material violation of the relevant tax laws and regulations.

During the Track Record Period, we did not enjoy any preferential tax treatment and were not involved in any material tax dispute with respect to our income tax.

Going forward, we will continue to engage our tax consultant so as to seek professional advice on any tax issues or any changes to the tax rules in response to the Decision, which will become effective on 1 September 2017.

Each of our Controlling Shareholders has agreed to indemnify our Group pursuant to the Deed of Indemnity against, among other things, any demands, actions, claims, losses, liabilities, damages, costs, charges, fees, penalties, fines or expenses made, suffered or incurred by our Group in respect of or arising from historical shortfall on taxation in tax filings.

Please refer to “Risk Factor – The tax provision we made may not be sufficient to cover the PRC taxes and/or penalties that the PRC tax authorities may require us to pay” of this prospectus for further details about the risks and uncertainties associated with our underpayment of taxes.

Imputed Interest Income and Related Interest Expenses

During the Track Record Period, we made advances to Cinese Group and other related parties. These advances were non-trade in nature and non-interest bearing. The amount of the advances to Cinese Group and other related parties was measured at its fair value at initial recognition based on the best estimate of the expected repayments by Cinese Group and other related parties at the time of recognising the amount due from Cinese Group and other related parties. The differences between the amount due from Cinese Group and other related parties and the fair value at initial recognition were recognised in equity as deemed distribution to equity holders, and the amount due from Cinese Group and other related parties was then carried at amortised cost using the effective interest method. Subsequently, if we revise our estimate of the expected repayments by Cinese Group and other related parties, the carrying amount of such amount due from Cinese Group and other related parties will be adjusted to reflect the actual and revised estimated cash flow. The adjustments were also recognised in equity as deemed distribution to equity holders. The effective interest rates for imputed interest income were determined based on the interest rates for comparable bank borrowings for Cinese Group. For each reporting period during the Track Record Period, we recognised imputed interest income on certain portion of such advances under IFRS. During the Track Record Period, imputed interest income on advances to Cinese Group and other related parties contributed to the changes to our net profit, which increased from RMB90.9 million, for the year ended 31 August 2014 to RMB182.3 million for the year ended 31 August 2015 and decreased to RMB154.4 million for the year ended 31 August 2016. However, such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period. During the Track Record Period, we primarily funded these advances to Cinese Group and other related parties through interest-bearing bank borrowings and a substantial portion of our bank borrowings during the Track Record Period related to such advances. As a result, a substantial portion of our interest expenses on bank and other borrowings during the Track Record Period related to advances on which we recognised imputed interest income. As at the Latest Practicable Date, all the amounts due to and from related parties (including our advances to Cinese Group and other related parties) which were non-trade in nature had been fully settled. As a result, we do not expect to continue to recognise imputed interest

FINANCIAL INFORMATION

income on advances to related parties following the Listing. Because we will no longer be funding such advances through bank borrowings, we also expect a corresponding reduction in interest expenses on bank borrowings following the Listing.

The aggregate carrying amounts of our advances to Cinese Group and other related parties on which we recognised imputed interest income were RMB1,165.4 million, RMB1,163.0 million and RMB212.2 million as of 31 August 2014, 2015 and 2016, respectively. Our imputed interest income was RMB42.2 million, RMB112.4 million and RMB64.0 million for the years ended 31 August 2014, 2015 and 2016, respectively.

Our bank and other borrowings were RMB1,270.0 million, RMB1,275.5 million and RMB607.7 million as of 31 August 2014, 2015 and 2016, respectively. Our interest expenses on bank and other borrowings were RMB79.0 million, RMB109.9 million and RMB80.0 million for the years ended 31 August 2014, 2015 and 2016, respectively.

In addition, we had amounts due to related parties that are non-trade in nature, unsecured, non-interest bearing and repayable on demand, which amounted to RMB333.3 million, RMB426.9 million and RMB327.2 million, respectively, as of 31 August 2014, 2015 and 2016. We did not recognise imputed interest expense on the amounts due to related parties during the Track Record Period because of the repayable on demand clause applicable to such amounts.

For further details about the imputed interest income on advances to Cinese Group and other related parties, please refer to “– Finance Income” above and “– Related Party Transactions and Balances” below. Save as disclosed above, our Directors confirm that there are no other material non-trade factors that would affect our financial statements during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 August 2016 Compared to Year Ended 31 August 2015

Revenue

Our revenue increased by 23.2% from RMB568.7 million for the year ended 31 August 2015 to RMB700.7 million for the year ended 31 August 2016, primarily as a result of increased student enrolment, which resulted in an increase in tuition and boarding fees as well as an increase in revenue from ancillary services. Student enrolment in our schools increased by 21.0% from 22,837 as of 1 September 2014 to 27,644 as of 1 September 2015, the beginning of the 2014/2015 and 2015/2016 school years, respectively, mainly due to an increase in the number of students enrolled in our Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Dongguan Guangming Primary School. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year.

Revenue from tuition fees increased by 25.0% from RMB391.7 million for the year ended 31 August 2015 to RMB489.6 million for the year ended 31 August 2016, primarily as a result of the increased student enrolment in our schools.

Revenue from boarding fees increased by 19.8% from RMB50.5 million for the year ended 31 August 2015 to RMB60.6 million for the year ended 31 August 2016, primarily attributable to increased student enrolment in our schools.

Revenue from ancillary services increased by 19.1% from RMB126.5 million for the year ended 31 August 2015 to RMB150.6 million for the year ended 31 August 2016, primarily due to increased student enrolment in our schools.

FINANCIAL INFORMATION

Cost of Revenue

Cost of revenue increased by 28.1% from RMB289.2 million for the year ended 31 August 2015 to RMB370.4 million for the year ended 31 August 2016. Cost of revenue increased primarily as a result of increased staff costs, which increased by 28.6% from RMB153.6 million for the year ended 31 August 2015 to RMB197.5 million for the year ended 31 August 2016, primarily because (i) the number of teachers we employed increased by 22.1% from 1,364 as of 1 September 2014 to 1,666 as of 1 September 2015 in order to accommodate increased student enrolment in our schools and (ii) we increased teachers' salaries at our Dongguan Guangming School and Dongguan Guangming Primary School in March 2015 as part of our strategy to continue to attract and retain high quality teachers.

Cost of goods sold for ancillary services increased by 32.6% from RMB57.5 million for the year ended 31 August 2015 to RMB76.3 million for the year ended 31 August 2016, primarily due to increased sales volumes at our on-campus canteens mainly as a result of increased student enrolment. Our costs of goods sold for ancillary services increased at a higher rate than the increase of our revenue from ancillary services primarily because we were not seeking to maintain our margins for our on-campus canteens in light of the not-for-profit principle. Please refer to "Business – Ancillary Services" for further details about the not-for-profit principle.

Depreciation and amortisation increased by 20.2% from RMB38.9 million for the year ended 31 August 2015 to RMB46.7 million for the year ended 31 August 2016, primarily due to the enhancement and expansion of our Huizhou Guangzheng Preparatory School and Dongguan Guangzheng Preparatory School.

Utilities and maintenance costs increased by 14.6% from RMB22.8 million for the year ended 31 August 2015 to RMB26.1 million for the year ended 31 August 2016. Our utilities and maintenance costs increased at a lower rate than our revenue because a substantial portion of our utilities and maintenance costs are fixed costs.

Education expenses increased by 44.9% from RMB16.3 million for the year ended 31 August 2015 to RMB23.7 million for the year ended 31 August 2016, primarily as a result of increased expenses on teaching materials due to increased student enrolment in our schools and increased expenses on student scholarships as a result of increased student performances.

Gross Profit

Gross profit increased by 18.2% from RMB279.5 million for the year ended 31 August 2015 to RMB330.4 million for the year ended 31 August 2016. Our gross margin, which is gross profits stated as a percentage of revenue, decreased from 49.1% for the year ended 31 August 2015 to 47.1% for the year ended 31 August 2016.

Other Income

Other income increased by 9.3% from RMB6.9 million for the year ended 31 August 2015 to RMB7.5 million for the year ended 31 August 2016, primarily as a result of an increase in government grants and an increase in donations, which was partially offset by decreased staff quarter rental income, mainly due to decreased rental charges for staff.

Other Gains and Losses

Other gains and losses increased from a loss of RMB1.3 million for the year ended 31 August 2015 to a loss of RMB6.2 million for the year ended 31 August 2016, primarily due to the late payment surcharge we paid to the relevant PRC tax authorities as a result of certain underpaid PRC taxes and the loss we recognised on the disposal of Dongguan Guangzheng Pharmaceutical in January 2016.

FINANCIAL INFORMATION

Selling Expenses

Selling expenses increased by 76.6% from RMB7.5 million for the year ended 31 August 2015 to RMB13.3 million for the year ended 31 August 2016, primarily as a result of increased advertising expenses and student recruitment bonuses in relation to the marketing and promotion of our Dongguan Guangzheng Preparatory School and Panjin Guangzheng Preparatory School, as well as our Weifang Guangzheng Preparatory School, which commenced operations in September 2016.

Administrative Expenses

Our administrative expenses increased by 23.4% from RMB76.1 million for the year ended 31 August 2015 to RMB93.9 million for the year ended 31 August 2016, primarily as a result of increased staff salaries and other benefits. Other expenses increased from RMB10.3 million for the year ended 31 August 2015 to RMB14.2 million for the year ended 31 August 2016, primarily attributable to an increase in repair and maintenance expenses, and an increase in legal and professional fees.

Listing Expenses

We incurred listing expenses of RMB24.4 million for the year ended 31 August 2016 in relation to the preparation of the Global Offering, while we did not incur any listing expenses for the year ended 31 August 2015.

Finance Income

Finance income decreased by 45.5% from RMB117.6 million for the year ended 31 August 2015 to RMB64.1 million for the year ended 31 August 2016, primarily as a result of a decrease in the amount of imputed interest income on advances to Cinese Group and other related parties, which was mainly due to the repayment of advances by Cinese Group, the absence of imputed interest income on advances to other related parties and a decrease in interest income from deposits paid for a school building project as the project was cancelled and the deposits were repaid to the Group in September 2015.

Finance Costs

Finance costs decreased by 34.8% from RMB106.8 million for the year ended 31 August 2015 to RMB69.6 million for the year ended 31 August 2016, primarily as a result of a decrease in the level of our bank borrowings during the respective years.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by 8.4% from RMB212.3 million for the year ended 31 August 2015 to RMB194.5 million for the year ended 31 August 2016. Our profit before taxation as a percentage of revenue was 27.8% for the year ended 31 August 2016 compared to 37.3% for the year ended 31 August 2015.

Taxation

Our income tax expenses increased by 33.7% from RMB30.0 million for the year ended 31 August 2015 to RMB40.2 million for the year ended 31 August 2016, primarily attributable to an increase in our taxable income. Our effective income tax rate, being tax charged for the year divided by profits before taxation, was 14.1% for the year ended 31 August 2015 and 20.7% for the year ended 31 August 2016. Our effective income tax rate is higher for the year ended 31 August 2016 than the year ended 31 August 2015, primarily due to a decrease in imputed interest income, which is not subject to the EIT.

Profit for the Year

As a result of the above factors, our profit decreased by 15.3% from RMB182.3 million for the year ended 31 August 2015 to RMB154.4 million for the year ended 31 August 2016.

FINANCIAL INFORMATION

Year Ended 31 August 2015 Compared to Year Ended 31 August 2014

Revenue

Our revenue increased by 26.1% from RMB450.9 million for the year ended 31 August 2014 to RMB568.7 million for the year ended 31 August 2015, primarily as a result of increased student enrolment, which resulted in an increase in tuition and boarding fees, as well as an increase in revenue from ancillary services. Student enrolment in our schools increased by 18.0% from 19,354 as of 1 September 2013 to 22,837 as of 1 September 2014, mainly due to an increase in the number of students enrolled in our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us.

Revenue from tuition fees increased by 24.3% from RMB315.2 million for the year ended 31 August 2014 to RMB391.7 million for the year ended 31 August 2015 mainly due to increased student enrolment. Revenue from tuition fees increased also as a result of increased tuition fees per student for newly admitted students at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year.

Revenue from boarding fees increased by 38.7% from RMB36.4 million for the year ended 31 August 2014 to RMB50.5 million for the year ended 31 August 2015, attributable to increased student enrolment, as well as increased boarding fees per student at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year.

Revenue from ancillary services increased by 27.4% from RMB99.3 million for the year ended 31 August 2014 to RMB126.5 million for the year ended 31 August 2015, primarily due to increased student enrolment in our schools, particularly increased number of high school and middle school students who generally utilise higher levels of ancillary services.

Cost of Revenue

Cost of revenue increased by 20.6% from RMB239.7 million for the year ended 31 August 2014 to RMB289.2 million for the year ended 31 August 2015. Cost of revenue increased primarily as a result of increased staff costs, which increased by 19.8% from RMB128.3 million for the year ended 31 August 2014 to RMB153.6 million for the year ended 31 August 2015, mainly because (i) we increased teachers' salaries at our Dongguan Guangming School and Dongguan Guangming Primary School in March 2015 as part of our strategy to continue to attract and retain high quality teachers, and (ii) the number of teachers we employed increased by 16.9% from 1,167 as of 1 September 2013 to 1,364 as of 1 September 2014, as a result of increased student enrolment in our schools.

Cost of goods sold for ancillary services increased by 21.3% from RMB47.4 million for the year ended 31 August 2014 to RMB57.5 million for the year ended 31 August 2015, primarily due to increased sales volumes at our on-campus canteens, which was mainly as a result of increased student enrolment in our schools.

Depreciation and amortisation increased by 34.7% from RMB28.9 million for the year ended 31 August 2014 to RMB38.9 million for the year ended 31 August 2015, primarily due to (i) the first full financial year of depreciation on certain newly constructed school buildings and student dormitories for Dongguan Guangzheng Preparatory School and (ii) the first full financial year of depreciation on Panjin Guangzheng Preparatory School, which commenced operations in September 2014.

Utilities and maintenance costs increased by 4.6% from RMB21.8 million for the year ended 31 August 2014 to RMB22.8 million for the year ended 31 August 2015, mainly due to the further expansion of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us. The increase was partially offset by a decrease in utilities and maintenance costs in Dongguan Guangming School as a result of the school's cost saving measures.

FINANCIAL INFORMATION

Education expenses increased by 22.1% from RMB13.4 million for the year ended 31 August 2014 to RMB16.3 million for the year ended 31 August 2015, primarily as a result of increased education expenses in Dongguan Guangming School and Huizhou Guangzheng Preparatory School. The increase in Dongguan Guangming School was mainly due to an increased amount of scholarships granted to students, and the increase in Huizhou Guangzheng Preparatory School was primarily the result of an increased amount of educational activities as the school entered into the second school year since its establishment.

Gross Profit

Gross profit increased by 32.4% from RMB211.2 million for the year ended 31 August 2014 to RMB279.5 million for the year ended 31 August 2015, primarily driven by our increased revenue. Our gross margin increased from 46.8% for the year ended 31 August 2014 to 49.1% for the year ended 31 August 2015.

Other Income

Other income decreased by 2.1% from RMB7.0 million for the year ended 31 August 2014 to RMB6.9 million for the year ended 31 August 2015, primarily as a result of decreased miscellaneous other income and rental income from investment properties, which was partially offset by an increase in government grants.

Other Gains and Losses

Other gains and losses were a gain of RMB0.2 million for the year ended 31 August 2014 and a loss of RMB1.3 million for the year ended 31 August 2015. In the year ended 31 August 2015, we incurred late payment surcharge of RMB1.8 million imposed by tax authorities.

Selling Expenses

Selling expenses increased by 19.5% from RMB6.3 million for the year ended 31 August 2014 to RMB7.5 million for the year ended 31 August 2015, primarily as a result of increased advertising expenses and student recruitment bonuses in relation to the promotion of our Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School, which were established relatively recently.

Administrative Expenses

Our administrative expenses increased by 5.5% from RMB72.2 million for the year ended 31 August 2014 to RMB76.1 million for the year ended 31 August 2015. Administrative expenses grew at a slower rate than revenue primarily because the number of and compensation for administrative staff remained relatively stable while student enrolment increased as we entered into the second school year operating Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School.

Finance Income

Finance income increased by 153.9% from RMB46.3 million for the year ended 31 August 2014 to RMB117.6 million for the year ended 31 August 2015, primarily as a result of an increase in the amount of imputed interest income on advances to Cinese Group and other related parties, which was primarily as a result of an increase in the level of outstanding advances to Cinese Group and other related parties during the respective years.

FINANCIAL INFORMATION

Finance Costs

Finance costs increased by 44.3% from RMB74.0 million for the year ended 31 August 2014 to RMB106.8 million for the year ended 31 August 2015, primarily as a result of the first full year effect of the interest expenses incurred on certain of our bank loans.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 89.1% from RMB112.3 million for the year ended 31 August 2014 to RMB212.3 million for the year ended 31 August 2015. Our profit before taxation as a percentage of revenue was 24.9% for the year ended 31 August 2014 compared to 37.3% for the year ended 31 August 2015.

Taxation

Our income tax expenses increased by 40.7% from RMB21.4 million for the year ended 31 August 2014 to RMB30.0 million for the year ended 31 August 2015, primarily as a result of an increase in our taxable income. Our effective income tax rate, being tax charged for the year divided by profits before taxation, was 19.0% for the year ended 31 August 2014 and 14.1% for the year ended 31 August 2015. Our effective income tax rate is lower for the year ended 31 August 2015 than the year ended 31 August 2014 primarily due to an increase in imputed interest income, which is not subject to the EIT tax.

Profit for the Period

As a result of the foregoing, our profit increased by 100.5% from RMB90.9 million for the year ended 31 August 2014 to RMB182.3 million for the year ended 31 August 2015, primarily attributable to (i) increased student enrolment in our schools, which was mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us; and (ii) increased imputed interest income on advances to Chinese Group and other related parties, which was mainly due to increased level of outstanding advances to Chinese Group and other related parties.

Year Ended 31 August 2014 Compared to Year Ended 31 August 2013

Revenue

Our revenue increased by 40.9% from RMB320.1 million for the year ended 31 August 2013 to RMB450.9 million for the year ended 31 August 2014, primarily as a result of increased student enrolment, which resulted in an increase in tuition and boarding fees as well as an increase in revenue from ancillary services. Student enrolment in our schools increased by 38.8% from 13,947 as of 1 September 2012 to 19,354 as of 1 September 2013, mainly due to our acquisition of Dongguan Guangzheng Preparatory School in August 2013 and increased student enrolment in our Dongguan Guangming Primary School.

Revenue from tuition fees increased by 41.4% from RMB222.9 million for the year ended 31 August 2013 to RMB315.2 million for the year ended 31 August 2014, revenue from boarding fees increased by 39.4% from RMB26.1 million for the year ended 31 August 2013 to RMB36.4 million for the year ended 31 August 2014 and revenue from ancillary services increased by 39.9% from RMB71.0 million for the year ended 31 August 2013 to RMB99.3 million for the year ended 31 August 2014. In addition to increased student enrolment in our schools, the increase in revenue from tuition and boarding fees were also as a result of increased tuition and boarding fees per newly admitted student.

FINANCIAL INFORMATION

Cost of Revenue

Cost of revenue increased by 41.0% from RMB170.0 million for the year ended 31 August 2013 to RMB239.7 million for the year ended 31 August 2014. The increase in cost of revenue was primarily attributable to our acquisition of Dongguan Guangzheng Preparatory School in August 2013 and the commencement of operations of Huizhou Guangzheng Preparatory School in September 2013, which resulted in increases in the number of teachers we employed, the number of properties used by our schools and related operating costs.

Staff costs increased by 44.5% from RMB88.7 million for the year ended 31 August 2013 to RMB128.3 million for the year ended 31 August 2014, cost of goods sold for ancillary services increased by 44.1% from RMB32.9 million for the year ended 31 August 2013 to RMB47.4 million for the year ended 31 August 2014, depreciation and amortisation increased by 55.0% from RMB18.6 million for the year ended 31 August 2013 to RMB28.9 million for the year ended 31 August 2014 and utilities and maintenance costs increased by 36.9% from RMB15.9 million for the year ended 31 August 2013 to RMB21.8 million for the year ended 31 August 2014.

Education expenses decreased by 3.3% from RMB13.8 million for the year ended 31 August 2013 to RMB13.4 million for the year ended 31 August 2014, primarily attributable to decreases in Dongguan Guangming School and Dongguan Guangming Primary School, which was partially offset by increases in Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, as well as by an increase in Panjin Guangzheng Preparatory School as a result of its preparatory activities to commence operations in September 2014.

Gross Profit

Gross profit increased by 40.8% from RMB150.0 million for the year ended 31 August 2013 to RMB211.2 million for the year ended 31 August 2014, primarily driven by our increased revenue. Our gross margin was 46.9% for the year ended 31 August 2013 and 46.8% for the year ended 31 August 2014.

Other Income

Other income increased by 18.9% from RMB5.9 million for the year ended 31 August 2013 to RMB7.0 million for the year ended 31 August 2014. The increase was primarily attributable to an increase in staff quarter income.

Other Gains and Losses

Other gains and losses decreased by 96.4% from a gain of RMB4.9 million for the year ended 31 August 2013 to a gain of RMB0.2 million for the year ended 31 August 2014, primarily because we recognised a gain from the acquisition of Dongguan Guangzheng Preparatory School during the year ended 31 August 2013.

Selling Expenses

Selling expenses increased by 42.6% from RMB4.4 million for the year ended 31 August 2013 to RMB6.3 million for the year ended 31 August 2014 mainly due to an increase in advertising expenses, primarily as a result of additional marketing efforts to promote our newly acquired Dongguan Guangzheng Preparatory School and our newly established Huizhou Guangzheng Preparatory School.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses increased by 50.0% from RMB48.1 million for the year ended 31 August 2013 to RMB72.2 million for the year ended 31 August 2014. Administrative expenses increased at a faster pace than revenue primarily due to the acquisition of our Dongguan Guangzheng Preparatory School in August 2013 and the commencement of operations of our Huizhou Guangzheng Preparatory School in September 2013, which resulted in increases in the number of administrative staff, the number of office buildings used by us and other ramp up costs for the first-year school operation.

Finance Income

Finance income decreased by 2.5% from RMB47.5 million for the year ended 31 August 2013 to RMB46.3 million for the year ended 31 August 2014, primarily as a result of a net decrease in imputed interest income on advances to Cinese Group and other related parties.

Finance Costs

Finance costs increased by 54.5% from RMB47.9 million for the year ended 31 August 2013 to RMB74.0 million for the year ended 31 August 2014, primarily due to an increase in our level of bank borrowings during the respective years.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 4.0% from RMB107.9 million before taxation for the year ended 31 August 2013 to RMB112.3 million for the year ended 31 August 2014. Our profit before taxation as a percentage of revenue was 33.7% for the year ended 31 August 2013 and 24.9% for the year ended 31 August 2014.

Taxation

Our income tax expenses increased by 13.2% from RMB18.9 million for the year ended 31 August 2013 to RMB21.4 million for the year ended 31 August 2014. The increase was primarily attributable to an increase in our taxable income. Our effective income tax rate was 17.5% for the year ended 31 August 2013 and 19.0% for the year ended 31 August 2014. Our effective income tax rate is higher for the year ended 31 August 2014 than the year ended 31 August 2013 primarily as a result of a decrease in imputed interest income, which is not subject to the EIT tax.

Profit for the Period

As a result of the foregoing, our profit increased by 2.1% from RMB89.0 million for the year ended 31 August 2013 to RMB90.9 million for the year ended 31 August 2014.

FINANCIAL INFORMATION

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 31 August			As of
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	30 November 2016 (RMB'000) (Unaudited)
CURRENT ASSETS				
Inventories – goods for sale	1,591	1,978	4,522	4,468
Deposits, prepayments and other receivables	51,952	25,761	30,416	32,476
Amounts due from related parties	287,537	1,486,418	550,830	422,558
Prepaid lease payments	5,253	5,253	5,698	5,698
Bank balances and cash	13,071	12,229	103,705	26,462
TOTAL CURRENT ASSETS	359,404	1,531,639	695,171	491,662
CURRENT LIABILITIES				
Deferred revenue	224,817	285,146	365,005	185,272
Trade payables	14,362	25,185	39,936	61,780
Other payables and accrued expenses	286,552	203,971	207,549	195,534
Amounts due to related parties	336,908	432,838	339,788	374,025
Income tax payable	38,583	61,210	58,218	58,378
Borrowings	141,362	537,849	142,279	83,779
TOTAL CURRENT LIABILITIES	1,042,584	1,546,199	1,152,775	958,768
NET CURRENT LIABILITIES	(683,180)	(14,560)	(457,604)	(467,106)

As of 30 November 2016, our net current liabilities increased primarily as a result of increased amounts due to related parties, increased trade payables, decreased amounts due from related parties and decreased bank balances and cash.

Our bank balances and cash decreased from RMB103.7 million as of 31 August 2016 to RMB26.5 million as of 30 November 2016 primarily due to our repayment of bank loans subsequent to 31 August 2016 and up to 30 November 2016.

As of 31 August 2014, 2015 and 2016 and 30 November 2016, we recorded net current liabilities of RMB683.2 million, RMB14.6 million, RMB457.6 million and RMB467.1 million, respectively.

We recorded net current liabilities as of 31 August 2014, 2015 and 2016 and 30 November 2016, primarily as a result of (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Cinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of our schools; (ii) other payables and accrued expenses, which primarily consist of accruals for construction in connection with the maintenance and improvement of our school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of our short-term bank borrowings.

FINANCIAL INFORMATION

For risks associated with our net current liabilities position, please refer to “Risk Factors – Risks Relating to Our Business and Our Industry – We recorded net current liabilities as of 31 August 2014, 2015 and 2016 and 30 November 2016 and may record net current liabilities in the future” of this prospectus for further details.

As at the Latest Practicable Date, all the amounts due to and from related parties which were non-trade in nature had been fully settled. We expect to further improve our net current liabilities position by (i) receiving funds generated from our business operations and (ii) receiving the net proceeds from the Global Offering. Taking into account of the funds generated from our business operations and our financial resources, including our unutilized banking facilities, our Directors are of the opinion that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial information have been prepared on a going concern basis.

Subsequent to 31 August 2016 and as of the Latest Practicable Date, subsequent settlement received in relation to other receivables amounted to approximately RMB7.6 million; subsequent payments made in relation to trade and other payables and accrued expenses amounted to approximately RMB34.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchase of property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations and bank loans and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, our tuition fees, boarding fees and revenue from ancillary services, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of 31 August 2014, 2015 and 2016, we had cash and cash equivalents of RMB13.1 million, RMB12.2 million and RMB103.7 million, respectively.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended 31 August		
	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash from operating activities	241,100	319,148	337,612
Net cash (used in) from investing activities	(909,972)	(308,769)	251,066
Net cash from (used in) financing activities	648,035	(11,221)	(497,202)
Net (decrease) increase in cash and cash equivalents	(20,837)	(842)	91,476
Cash and cash equivalents at beginning of the year	33,908	13,071	12,229
Cash and cash equivalents at the end of the year	13,071	12,229	103,705

Cash Flow from Operating Activities

We generate cash from operating activities primarily from tuition fees, boarding fees and revenue from ancillary services.

FINANCIAL INFORMATION

Our net cash from operating activities was RMB337.6 million for the year ended 31 August 2016, primarily consisting of RMB281.0 million of cash generated from operating activities before working capital adjustments, working capital adjustments of RMB98.3 million and cash outflows of RMB41.7 million attributable to income tax paid. Working capital adjustments primarily consist of an increase in deferred revenue of RMB79.9 million primarily attributable to increased student enrollment in our schools and an increase in trade payables of RMB14.8 million.

Our net cash from operating activities was RMB319.1 million for the year ended 31 August 2015, consisting of cash generated from operating activities of RMB247.3 million before working capital adjustments, working capital adjustments of RMB78.0 million and cash outflows of RMB6.2 million attributable to income tax paid. Working capital adjustments primarily consist of an increase in deferred revenue of RMB60.3 million primarily due to increased student enrolment in our schools and an increase in trade payables of RMB10.8 million.

Our net cash from operating activities was RMB241.1 million for the year ended 31 August 2014, consisting of cash generated from operating activities of RMB173.7 million before working capital adjustments, working capital adjustments of RMB68.0 million and cash outflows of RMB0.6 million attributable to income tax paid. Working capital adjustments primarily consist of an increase in deferred revenue of RMB46.5 million primarily due to increased student enrolment in our schools and an increase in other payables and accruals of RMB19.3 million.

Cash Flows (used in) from Investing Activities

Our expenditures for investing activities were primarily for advances to and repayments from Cinese Group other related parties.

Our net cash from investing activities was RMB251.0 million for the year ended 31 August 2016, primarily attributable to repayment from Cinese Group of RMB717.8 million and repayments from related parties of RMB627.8 million, which were partially offset by advances to related parties of RMB989.8 million and payments for the acquisition of property, plant and equipment of RMB178.2 million, which was primarily used for Weifang Guangzheng Preparatory School.

Our net cash used in investing activities was RMB308.8 million for the year ended 31 August 2015, primarily attributable to advances to related parties of RMB786.7 million, RMB193.6 million used to purchase property, plant and equipment for the enhancement of our school facilities and advances to Cinese Group of RMB100.0 million, which were partially offset by repayments from related parties of RMB664.0 million and repayments from Cinese Group of RMB94.5 million.

Our net cash used in investing activities was RMB910.0 million for the year ended 31 August 2014, primarily attributable to RMB1,190.0 million advances to Cinese Group, RMB428.0 million advances to related parties and RMB231.6 million used to purchase property, plant and equipment for our Panjin Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Dongguan Guangzheng Preparatory School, which was partially offset by repayments from related parties of RMB555.2 million and repayments from Cinese Group of RMB455.0 million.

Cash Flows (used in) from Financing Activities

Our cash flows relating to financing activities primarily relate to advances from related parties, repayments to related parties and repayment of bank borrowings.

Our net cash used in financing activities was RMB497.2 million for the year ended 31 August 2016, attributable RMB717.8 million used in repayment of bank borrowings, RMB383.1 million used in repayments to related parties, RMB88.3 million of interest paid on bank loans and RMB12.5 million in listing expenses paid, which were partially offset by RMB654.5 million in advances from related parties and RMB50.0 million in proceeds from bank borrowings.

FINANCIAL INFORMATION

Our net cash used in financing activities was RMB11.2 million for the year ended 31 August 2015, attributable to RMB110.3 million of interest paid on bank loans, RMB102.7 million in repayments to related parties and RMB94.5 million in repayment of bank borrowings, which were partially offset by RMB196.3 million in advances from related parties and RMB100.0 million in proceeds from bank borrowings.

Our net cash from financing activities was RMB648.0 million for the year ended 31 August 2014, attributable to RMB1,190.0 million in proceeds from bank borrowings and RMB59.1 million in advances from related parties, which were partially offset by RMB455.0 million in repayment of bank borrowings, RMB76.1 million of interest paid on bank loans and RMB70.0 million in repayments to related parties.

Working Capital

We intend to continue to finance our working capital with cash generated from our operating activities. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our school network.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. Our Directors are of the view that our available cash balances, the anticipated cash flows from operations, bank loans and other banking facilities and the net proceeds from the Global Offering will be sufficient to meet our present and anticipated working capital requirements for the next 12 months from the date of this prospectus, in the absence of unforeseeable circumstances. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor has no reason to believe that the Company cannot meet the working capital requirement for the 12 months period from the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the acquisition of Dongguan Guangzheng Preparatory School, the purchase of land use rights for Huizhou Guangzheng Preparatory School and the construction of school premises for Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School. Our capital expenditures for the years ended 31 August 2014, 2015 and 2016 were RMB262.6 million, RMB210.6 million and RMB200.4 million, respectively. The following table sets forth our additions of property, plant and equipment and leasehold levels, respectively, for the periods indicated.

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Property, plant and equipment	231,558	193,628	178,191
Prepaid land lease payments	5,000	–	19,217
Payment for acquisition of Dongguan Guangzheng Preparatory School	26,000	17,000	3,000
Total	<u>262,558</u>	<u>210,628</u>	<u>200,408</u>

FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

During the Track Record Period, we, as tenant, leased certain office properties and staff apartments under operating leases. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of 31 August			As of
	2014	2015	2016	30 November 2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (Unaudited)
Within one year	3,181	4,788	4,701	4,320
In the second to fifth year inclusive	13,365	13,720	12,812	13,129
Over five years	<u>37,965</u>	<u>35,302</u>	<u>34,543</u>	<u>33,713</u>
Total	<u><u>54,511</u></u>	<u><u>53,810</u></u>	<u><u>52,056</u></u>	<u><u>51,162</u></u>

Capital Commitments

Our capital commitments primarily relate to the construction of new schools, the expansion and improvement of our existing schools. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of 31 August			As of
	2014	2015	2016	30 November 2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (Unaudited)
Capital expenditure contracted but not provided in the Financial Information in respect of the acquisition of – property, plant and equipment	<u>61,777</u>	<u>31,404</u>	<u>231,756</u>	<u>200,029</u>

Contingent Liabilities

As of 30 November 2016, save as disclosed in the paragraph headed “Contingent Liability” below, 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 our contingent liabilities since 31 August 2016.

INDEBTEDNESS

Our indebtedness include bank and other borrowings, amounts due to related parties that are non-trade in nature and other payables.

FINANCIAL INFORMATION

Bank and Other Borrowings

Our borrowings primarily consisted of short-term working capital loans and long-term borrowings primarily used to fund our business operations. Our borrowings as of 31 August 2014, 2015 and 2016 and 30 November 2016 being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 August			As of
	2014	2015	2016	30 November
	(RMB'000)	(RMB'000)	(RMB'000)	2016 (RMB'000) (Unaudited)
Borrowings				
<i>Bank</i>				
– Secured	1,070,000	1,075,500	607,700	454,400
<i>Trust financing arrangements with equity repurchase obligations</i>	200,000	200,000	–	–
Total borrowings	<u>1,270,000</u>	<u>1,275,500</u>	<u>607,700</u>	<u>454,400</u>
Carrying amounts repayable				
– Within one year	141,362	337,849	142,279	83,779
– More than one year, but not exceeding two years	297,849	118,849	119,279	73,779
– More than two years, but not exceeding five years	396,547	345,547	235,337	101,337
– More than five years	234,242	273,255	110,805	195,505
	<u>1,070,000</u>	<u>1,075,500</u>	<u>607,700</u>	<u>454,400</u>
<i>Trust financing arrangements with equity repurchase obligations⁽¹⁾</i>				
– Within one year	–	200,000	–	–
– More than one year, but not exceeding two years	200,000	–	–	–
	<u>200,000</u>	<u>200,000</u>	<u>–</u>	<u>–</u>
Less: Amounts due within one year shown under current liabilities	<u>(141,362)</u>	<u>(537,849)</u>	<u>(142,279)</u>	<u>(83,779)</u>
	<u>1,128,638</u>	<u>737,651</u>	<u>465,421</u>	<u>370,621</u>
The exposure of borrowings:				
– Fixed rate	390,000	390,000	23,000	20,000
– Variable rate	880,000	885,500	584,700	434,400
	<u>1,270,000</u>	<u>1,275,500</u>	<u>607,700</u>	<u>454,400</u>

FINANCIAL INFORMATION

Note:

- (1) We entered into trust financing arrangements with a trust financing company in the form of transferring equity interest and issuing new shares of Panjin Guangzheng to the trust financing company with repurchase obligation at a fixed amount in a future date. Please refer to “History and Development – Our Consolidated Affiliated Entities” for further details of the trust financing arrangements.

Our borrowings as of 31 August 2014, 2015 and 2016 were all denominated in RMB. The table below sets for the effective interest rates for our borrowings as at the dates indicated:

	2014	As at 31 August	2016
	(%)	2015	(%)
		(%)	(%)
Effective interest rate for variable-rate bank loans	6.4-8.4	5.9-8.6	4.8-6.9
Effective interest rate for fixed-rate bank loans	7.3	7.3	4.6
Effective interest rate for fix-rate trust financing arrangements	12.0	12.0	N/A

As of 30 November 2016, our bank loans were secured and guaranteed and we had unutilised banking facilities of RMB275.6 million.

Subsequent to 30 November 2016 and up to the Latest Practicable Date, we have repaid bank loans of RMB169.7 million and accordingly our borrowings were reduced to RMB284.7 million as at the Latest Practicable Date.

During the Track Record Period, certain of our related parties provided guarantees and mortgages for the loans we borrowed. All guarantees and mortgages provided by our related parties will be released upon Listing.

Our bank loan agreements contain certain covenants that, among other things, require the borrower to ensure that its debt to equity ratio does not exceed certain percentage, and/or to obtain prior written consent from the debtor prior to incurring material additional debt, reducing registered capital and engaging in certain transactions such as mergers and acquisitions, investments, share transfers, change in controlling shareholders or beneficial owners and material asset and securities sales.

Our Directors confirm that as at the Latest Practicable Date, save as disclosed above, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings and we did not have any material default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

Amounts due to Related Parties

During the Track Record Period, we incurred indebtedness from amounts due to related parties that are non-trade in nature, unsecured, non-interest bearing and repayable on demand. As at the Latest Practicable Date, all amounts due to and from related parties which were non-trade in nature had been fully settled. Our amounts due to related parties that are non-trade in nature (which are also unsecured and unguaranteed) as of 31 August 2014, 2015 and 2016 and 30 November 2016, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	Relationship	As of 31 August			As of
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	30 November 2016 (RMB'000) (Unaudited)
Mr. Liu	Controlling Equity Holders and director	(102,727)	(119,725)	(155,877)	(158,112)
Ms. Li	Controlling Equity Holders and director	(7,521)	(10,317)	(7,764)	(7,764)
Cinese Group	Controlled by Mr. Liu	(147,625)	(145,307)	(25,715)	(43,322)
東莞富盈酒店有限公司 (Dongguan Cinese Hotel Co. Ltd.) ("Dongguan Cinese Hotel")	Controlled by Mr. Liu	(300)	(313)	(247)	(223)
東莞富盛實業投資有限公司 (Dongguan Fusheng Industrial Investment Co. Ltd.) ("Dongguan Fusheng")	Controlled by Ms. Li	(200)	(200)	(200)	(200)
東莞石礪富盈酒店有限公司 (Dongguan Shijie Cinese Hotel Co. Limited) ("Dongguan Shijie Cinese Hotel")	Controlled by Mr. Liu	-	-	(50)	(44)
東莞萬盛房地產開發有限公司 (Dongguan Wansheng Real Estate Development Co. Ltd.) ("Dongguan Wansheng Real Estate")	Controlled by Mr. Liu	(68,852)	(143,897)	(131,282)	(138,407)
東莞市興大教育投資有限公司 Dongguan Xingda Education Investment Co. Ltd.	Controlled by Ms. Li	(4,395)	(4,385)	(4,385)	(4,385)
東莞市合興教育投資有限公司 Dongguan Hexing Education Investment Co. Ltd.	Controlled by Ms. Li	(598)	(598)	(598)	(598)
東莞市富勤實業投資有限公司 Dongguan Fuqin Industrial Investment Co. Ltd.	Controlled by Ms. Li	(1,095)	(1,095)	(1,095)	(1,095)
Dongguan Cinese Real Estate	Controlled by Mr. Liu	-	(1,031)	-	-
		<u>(333,313)</u>	<u>(426,868)</u>	<u>(327,213)</u>	<u>(354,150)</u>

Other Payables

Our indebtedness also include consideration payable for the acquisition of Dongguan Guangzheng Preparatory School and payables for the land use right acquired for the use of Dongguan Guangzheng Preparatory School. Such other payables are unsecured and unguaranteed. We acquired our Dongguan Guangzheng Preparatory School in August 2013 for a total consideration of RMB250.0 million. As of 31 August 2014, 2015 and 2016 and 30 November 2016, consideration payable for the acquisition of Dongguan Guangzheng Preparatory School amounted to RMB24.0 million, RMB7.0 million and RMB4.0 million and RMB4.0 million, respectively. As of 31 August 2014, 2015 and 2016 and 30 November 2016, our payables for the land use right acquired for the use of Dongguan Guangzheng Preparatory School amounted to RMB12.4 million, RMB12.4 million and RMB12.4 million and RMB12.4 million, respectively.

FINANCIAL INFORMATION

Contingent Liability

On 19 March 2015, an individual who is an Independent Third Party, initiated court proceedings in relation to the advances he made on behalf of Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5.0 million and the related interests thereof. As of the Latest Practicable Date, the outcome of this legal proceeding had yet to be finalised.

Except as disclosed above, as of 30 November 2016, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

LISTING EXPENSES

We expect to incur a total of approximately RMB49.3 million of listing expenses (assuming an Offer Price of HK\$1.99, being the mid-point of the indicative Offer Price range between HK\$1.70 and HK\$2.28, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB24.4 million were charged to profit and loss and approximately RMB6.6 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB6.2 million to our profit or loss and to capitalise approximately RMB12.1 million. Listing expenses represent professional fees and other fees incurred in connection with the Listing, excluding underwriting commissions and trading levy. The listing expenses above were the best estimate as at the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

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

	As of/for the year ended 31 August		
	2014	2015	2016
Gross profit margin ⁽¹⁾	46.8%	49.1%	47.1%
Net profit margin ⁽²⁾	20.2%	32.1%	22.0%
Adjusted net profit margin ⁽³⁾	26.3%	30.4%	26.5%
Return on assets ⁽⁴⁾	3.4%	6.1%	6.3%
Return on equity ⁽⁵⁾	17.8%	27.0%	18.6%
Current ratio ⁽⁶⁾	0.34	0.99	0.60
Debt to equity ratio ⁽⁷⁾	2.46	1.87	0.61
Gearing ratio ⁽⁸⁾	2.49	1.89	0.73
Interest coverage ratio ⁽⁹⁾	1.89	1.89	2.87

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) Adjusted net profit margin equals our adjusted net profit after tax divided by revenue for the year. Adjusted net profit equals the sum of our net profit, finance costs in relation to advances to Chinese Group and other related parties, loss on disposal of subsidiaries and listing expenses, less the sum of imputed interest income on advances to Chinese Group and other related parties, without taking into account the potential impact of PRC taxes, which may or may not be applicable. Please refer to "Summary – Selected Historical Financial Information" of this prospectus for further details.
- (4) Return on assets equals net profit for the year divided by total assets as of the end of the year.
- (5) Return on equity equals net profit for the year divided by total equity amounts as of the end of the year.
- (6) Current ratio equals our current assets divided by current liabilities as of the end of the year.

FINANCIAL INFORMATION

- (7) Debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.
- (8) Gearing ratio equals total debt divided by total equity as of the end of the year. Total debt includes all interest-bearing bank loans and other borrowings.
- (9) Interest coverage ratio equals profit before interest and tax (less finance income) of one year divided by finance costs of the same year.

Analysis of Key Financial Ratios

Gross Profit Margin

Our gross profit margin increased from 46.8% for the year ended 31 August 2014 to 49.1% for the year ended 31 August 2015, primarily driven by (i) increased student enrolment in our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us, and (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year. Our gross profit margin decreased to 47.1% for the year ended 31 August 2016, primarily due to increased staff costs mainly as a result of increased number of teachers and increased teachers' salaries. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year.

Net Profit Margin

Our net profit margin increased from 20.2% for the year ended 31 August 2014 to 32.1% for the year ended 31 August 2015, primarily attributable to (i) increased student enrolment in our schools, which was mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us; (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year; and (iii) increased imputed interest income on advances to Cinese Group and other related parties, which was mainly due to increased level of outstanding advances to Cinese Group and other related parties. Our net profit margin decreased to 22.0% for the year ended 31 August 2016, primarily due to the listing expenses incurred of RMB24.4 million, increased administrative expenses, as well as increased selling expenses in relation to the marketing and promotion of our schools. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year.

Adjusted Net Profit Margin

Our adjusted net profit margin increased from 26.3% for the year ended 31 August 2014 to 30.4% for the year ended 31 August 2015, primarily attributable to (i) increased student enrolment in our schools, which was mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us; and (ii) increased tuition and boarding fee rates at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year. Our adjusted net profit margin decreased to 26.5% for the year ended 31 August 2016, primarily due to the listing expenses incurred of RMB24.4 million, increased administrative expenses, as well as increased selling expenses in relation to the marketing and promotion of our schools. The tuition and boarding fee rates for all of our schools remained unchanged for the 2015/2016 school year.

Return on Assets and Return on Equity

Our return on assets ratio increased from 3.4% for the year ended 31 August 2014 to 6.1% for the year ended 31 August 2015, mainly due to the first school year ramp up period for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, both of which commenced operations in September 2013. Our return on assets ratio increased to 6.3% for the year ended 31 August 2016.

FINANCIAL INFORMATION

Return on equity ratio increased from 17.8% for the year ended 31 August 2014 to 27.0% for the year ended 31 August 2015, primarily because student enrolment in our schools increased. Our return on equity ratio decreased to 18.6% for the year ended 31 August 2016, primarily due to the listing expenses incurred.

Current Ratio

Our current ratio increased from 0.34 as of 31 August 2014 to 0.99 as of 31 August 2015, primarily due to an increase in amounts due from related parties.

Our current ratio, decreased to 0.60 as of 31 August 2016, primarily due to a decrease in amounts due from related parties and an increase in amounts due to related parties.

Debt to Equity Ratio and Gearing Ratio

Our debt to equity ratio and gearing ratio decreased from 2.46 and 2.49 as of 31 August 2014, respectively, to 1.87 and 1.89 as of 31 August 2015, respectively, mainly because of increased total equity at year end.

Our debt to equity ratio and gearing ratio decreased to 0.61 and 0.73 as of 31 August 2016, respectively, primarily due to decreased bank borrowings at year end.

Interest Coverage Ratio

Our interest coverage ratio remained stable at 1.89 for the year ended 31 August 2014 and 2015. Our interest coverage ratio increased to 2.87 for the year ended 31 August 2016, mainly because of decreased finance costs, which was primarily due to lower level of bank borrowings.

RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions and Balances that are Trade in Nature

Related Party Transactions

During the years ended 31 August 2014, 2015 and 2016, we entered into the following transactions with related parties:

Related party	Relationship	Nature of transactions	Year ended 31 August		
			2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Dongguan Yingwei	Controlled by Mr. SP Liu	Purchase of goods	10,943	11,957	13,150
Dongguan Changying	Controlled by Mr. SP Liu	Purchase of goods	2,622	3,754	5,854
Dongguan Yingfa	Controlled by a close family member of Mr. Liu	Purchase of goods	1,656	2,987	3,661
Dongguan Cinese Hotel	Controlled by Mr. Liu	Hospitality expenses	45	364	1,263
Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	Construction expenses	504	5,158	48,674
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	–	–	212,500
Mr. Liu	Controlling equity holder and director	Acquisition of a subsidiary	–	–	10
Mr. Liu Jiefeng (劉杰鋒)	Close family member of Mr. Liu	Disposal of subsidiaries	–	–	720
Mr. SP Liu	Father of Mr. Liu	Disposal of a subsidiary	–	–	80

FINANCIAL INFORMATION

During the years ended 31 August 2014, 2015 and 2016, the Group entered into the following construction contracts with related parties, which are controlled by Mr. Liu and/or their close family members:

Related party	Relationship	Nature of transactions	Year ended 31 August		
			2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	Contract amounts entered	5,351	29,937	51,774
Dongguan Chinese Real Estate	Controlled by Mr. Liu	Contract amounts entered	–	–	590,000

We expect to discontinue the aforesaid related party transactions in relation to the purchase of goods and hospitality expenses prior to Listing, while the aforesaid disposal of subsidiaries had been completed as of the Latest Practicable Date. During the year ended 31 August 2016, we entered into construction agreements with Dongguan Chinese Real Estate, a company controlled by Mr. Liu with respect to the construction of Weifang Guangzheng Preparatory School and Guang'an Guangzheng Preparatory School. On 20 December 2016, we entered into another construction agreement with Dongguan Chinese Real Estate with respect to the construction of Yunfu Guangzheng Preparatory School. Please see "Connected Transactions" section for further details of the construction agreements with Dongguan Chinese Real Estate.

Our Directors believe that each of the related party transactions set out above and in note 36 to the Accountant's Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

Related Party Balances

As of 31 August 2014, 2015 and 2016, we did not incur amounts due from related parties that are trade in nature and our amounts due to related parties that are trade in nature were RMB3.6 million, RMB6.0 million and RMB12.6 million, respectively. The table below sets forth a summary of the amounts due to our related parties that are trade in nature, by amount and as a percentage of the total amounts due to our related parties that are trade in nature, as of the dates indicated.

	2014		As of 31 August 2015		2016	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Amounts due to Dongguan Yingwei	1,229	34.2%	2,449	41.0%	7,162	56.9%
Amounts due to Dongguan Changying	382	10.6%	1,272	21.3%	2,609	20.7%
Amounts due to Dongguan Yingfa	388	10.8%	653	11.0%	1,186	9.4%
Amounts due to Dongguan Wenfeng	1,596	44.4%	1,596	26.7%	1,618	12.9%
Total amounts due to related parties	3,595	100%	5,970	100%	12,575	100%

Amounts due to the abovesaid related parties are trade in nature, unsecured, non-interest bearing and repayable on demand. As of 31 August 2014, 2015 and 2016, amounts due to the abovesaid related parties were aged within 180 days based on invoice date.

FINANCIAL INFORMATION

Related Party Balances that are Non-Trade in Nature

Amounts Due From Related Parties

As of 31 August 2014, 2015 and 2016, amounts due from our related parties that are non-trade in nature were RMB1,362.5 million, RMB1,585.6 million and RMB550.8 million, respectively. The table below sets forth a summary of the amounts due from our related parties as of the dates indicated.

	Relationship	At 31 August			Maximum amount outstanding during Year ended 31 August		
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu	Controlling Equity Holders and director	120,424	149,877	50,691	120,424	214,735	235,222
Ms. Li	Controlling Equity Holders and director	77,811	54,221	41,478	84,968	77,811	54,221
Cinese Group – borrowings	Controlled by Mr. Liu	1,014,409	1,163,021	212,171	1,014,409	1,163,201	1,163,201
Cinese Group	Controlled by Mr. Liu	148,721	216,416	192,269	148,721	216,416	657,469
Dongguan Cinese Real Estate	Controlled by Mr. Liu	–	–	44,228	–	–	44,228
Dongguan Fusheng	Controlled by Ms. Li	266	266	266	266	266	266
Dongguan Cinese Hotel	Controlled by Mr. Liu	836	1,837	787	836	1,837	1,837
Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	–	–	8,940	–	–	8,941
		<u>1,362,467</u>	<u>1,585,638</u>	<u>550,830</u>			
Analysed for reporting purposes as:							
Current assets		287,537	1,486,418	550,830			
Non-current assets		1,074,930	99,220	–			
		<u>1,362,467</u>	<u>1,585,638</u>	<u>550,830</u>			

Amounts due from Cinese Group (borrowings) represented advances provided by our Group to Cinese Group with carrying amount of RMB1,014.4 million, RMB1,163.0 million and RMB212.2 million as of 31 August 2014, 2015 and 2016, respectively. Such advances were unsecured, non-interest bearing and repayable in two years. The nominal value of the advances as of 31 August 2014, 2015 and 2016 were RMB1,165.0 million, RMB1,230.0 million and RMB215.2 million, respectively.

Amounts due from Mr. Liu and Ms. Li, both of whom are Directors of our Group, include advances provided by our Group to Mr. Liu and Ms. Li with carrying amount of RMB151.0 million as of 31 August 2014. Such advances were unsecured, non-interest bearing and the management expected the advances would be repayable over one year. The nominal value of the advances as of 31 August 2014 was RMB162.4 million.

According to the Provisions of the Supreme People's Court on Certain Issues Concerning Application of Law in Trial of Cases Involving Private Lending (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), effective on 1 September 2015, private loan contracts entered into between legal persons for purposes of production and operations are effective, subject to certain circumstances set out therein. Accordingly, as (i) the advances provided by our Group to our related parties as set out above were made for purpose of business operations; (ii) such advances were not made for generating profit through loan refinancing or other illegal purpose; and (iii) such advances were interest-free loans, our PRC Legal Adviser are of the view that such advances were not in breach of the applicable PRC laws and regulations.

FINANCIAL INFORMATION

During the Track Record Period, we recognised imputed interest income on the aforesaid advances to Cinese Group and Mr. Liu and Ms. Li under IFRS. The imputed interest income recognised on advances to Cinese Group was RMB34.9 million and RMB101.1 million and RMB64.0 million for the years ended 31 August 2014, 2015 and 2016, respectively. The imputed interest income recognised on advances to Mr. Liu and Ms. Li was RMB7.3 million and RMB11.3 million as of 31 August 2014 and 2015, respectively. Such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period. As at the Latest Practicable Date, all the amounts due to and from related parties which were non-trade in nature had been fully settled. Please refer to “– Finance Income” and “– Imputed Interest Income and Related Interest Expenses” above for further details.

The other amounts due from Cinese Group, Mr. Liu and Ms. Li and other related parties as of 31 August 2014, 2015 and 2016 were also unsecured, non-interest bearing and repayable on demand.

Amounts Due To Related Parties

As of 31 August 2014, 2015 and 2016, amounts due to our related parties that are non-trade in nature were RMB333.3 million, RMB426.9 million and RMB327.2 million, respectively. The table below sets forth a summary of the amounts due to our related parties which were non-trade in nature as of the dates indicated.

	Relationship	At 31 August		
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu	Controlling Equity Holders and director	102,727	119,725	155,877
Ms. Li	Controlling Equity Holders and director	7,521	10,317	7,764
Cinese Group	Controlled by Mr. SP Liu	147,625	145,307	25,715
Dongguan Cinese Hotel	Controlled by Mr. Liu	300	313	247
Dongguan Fusheng	Controlled by Mr. Liu	200	200	200
Dongguan Shijie Cinese Hotel Co. Ltd.	Controlled by Mr. Liu	–	–	50
Dongguan Wansheng Real Estate	Controlled by Mr. Liu	68,852	143,897	131,282
Dongguan Cinese Real Estate	Controlled by Mr. Liu	–	1,031	–
Dongguan Xingda Education Investment Co. Ltd.	Controlled by Ms. Li	4,395	4,385	4,385
Dongguan Hexing Education Investment Co. Ltd.	Controlled by Ms. Li	598	598	598
Dongguan Fuqin Industrial Investment Co. Ltd.	Controlled by Mr. Liu	1,095	1,095	1,095
		<u>333,313</u>	<u>426,868</u>	<u>327,213</u>

The aforementioned amounts due to our related parties are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

As at the Latest Practicable Date, all the amounts due to and from related parties which were non-trade in nature had been fully settled.

Compensation of key management personnel

The remuneration of Directors and other members of key management of our Group during the Track Record Period is set out in note 36 of the Accountants' Report in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL INFORMATION

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 31 August 2016.

NON-DISTRIBUTABLE RESERVES AND DIVIDENDS

As of the Latest Practicable Date, we had not declared or paid any dividends on our ordinary shares. 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.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our Consolidated Affiliated Entities, which are incorporated in the PRC. Our Consolidated Affiliated Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries and Consolidated Affiliated Entities in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include (i) a general reserve and (ii) a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations requires a private school that requires reasonable returns to make an annual appropriation of 25% of its after-tax income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. The total amount of development fund reserves our schools made during the three years ended 31 August 2014, 2015 and 2016 was RMB28.7 million, RMB39.3 million and RMB35.4 million, respectively.

Under the relevant PRC laws and regulations, on-campus canteens shall in principle be operated on a "not-for-profit" basis. However, such "not-for-profit" principle is not defined in any PRC laws and regulations. We consulted with the competent education authorities and price authorities pursuant to which we understand that the principle of "not-for-profit" is met if our schools do not seek to distribute to our school sponsors the surplus, if any, from the operation of our on-campus canteens which may be applied for the continuous operation and improvement of the relevant on-campus canteens. Our PRC Legal Adviser is of the view that, the principle of "not-for-profit" is met if the school sponsors and operators of a school do not derive a profit from the operations of the on-campus canteens. During the Track Record Period, none of our schools had distributed any retained earnings (including any retained earnings from the on-campus canteens) to our school sponsors, none of the retained earnings from our on-campus canteens had been provided to our school sponsors as returns and the school sponsors and operators of our schools did not receive or intend to receive a profit from the operations of our on-campus canteens. Accordingly, our PRC Legal Adviser is of the view that, our operation of the on-campus canteens does not violate the aforesaid "not-for-profit" principle and is consistent with the legal principle stated in the General Principles of the Civil Law of the People's Republic of China (Draft), promulgated by the Standing Committee of the National People's Congress of the People's Republic of China on 5 July 2016, which provides that "not-for-profit legal entities shall not distribute profits to its members or sponsors". To better manage the retained earnings from our on-campus canteens, our Directors have decided to voluntarily establish a non-distributable reserve and transfer all the retained earnings of our on-campus canteens since the

FINANCIAL INFORMATION

operation thereof into such reserve. As of 31 August 2016, all such retained earnings in the amount of RMB182.5 million had been transferred to the aforesaid non-distributable reserve. Our PRC Legal Adviser is of the view that, the establishment of the non-distributable reserve and the transfer of such retained earnings to the reserve for the continuous operation and improvement of the relevant on-campus canteens and other purposes permitted by PRC laws are not in breach of the aforesaid “not-for-profit” principle. The operating profit contribution from the on-campus canteens was approximately RMB33.5 million, RMB46.6 million and RMB48.6 million for the years ended 31 August 2014, 2015 and 2016, respectively. In arriving at the above figures, we have taken into account certain cost allocation, based on our management’s judgment and to the extent practicable, with respect to the operation of our on-campus canteens and before tax. Our Directors confirm that we manage the accounts of our on-campus canteens separately from the accounts for our tuition and boarding fees. Our PRC Legal Adviser is of the view that, if any services provided by Dongguan Ruixing or its designated third party relate to or are used by the on-campus canteens, the relevant service fees can be paid out of the non-distributable reserve and the aforesaid regulatory requirements do not restrict the transfer of such service fees to Dongguan Ruixing or its designated third party, as the service fees are incurred as consideration for the services that relate to or are used by the on-campus canteens. Please refer to “Business – Ancillary Services” for further details.

No dividend has been paid or proposed by our Company during the Track Record Period, nor has any dividend been proposed since the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Substantially all of our revenue and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risk should be limited, the value of your investment in our Shares will be affected by the exchange rate between the Hong Kong dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while the Shares will be traded in Hong Kong dollars.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China’s political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, was based on fixed rates set by the PBOC. The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2 per cent on that date. On 23 September 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5 per cent to 3.0 per cent to improve the flexibility of the new foreign exchange system. As a result, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On 16 April 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 0.5 per cent to 1 per cent in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. On 15 March 2014, the PBOC further enlarged the floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 1 per cent to 2 per cent, effective from March 2014. On 11 August 2015, the People’s Bank of China (PBOC) announced a change to the daily fixing mechanism of the RMB exchange rate, which is now based on the previous day’s average closing rate and takes into account exchange rate developments of the most important international currencies. On 30 November 2015, the International Monetary Fund (IMF) included the RMB with a 10.92% weighting to its Special Drawing Right (SDR) basket,

FINANCIAL INFORMATION

effective 1 October 2016. To the extent that we need to convert Hong Kong dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert the Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amounts available to us.

Interest Rate Risk

Our fair value interest rate risk primarily related to our fixed-rate borrowings. We are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings which carried interest at prevailing market interest rates. It is our policy to keep certain borrowings at floating rates of interest so as to minimise the fair value interest rate risk. We currently do not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our post-tax profit for the years ended 31 August 2014, 2015 and 2016 would decrease/increase by RMB3.3 million, RMB3.3 million and RMB1.8 million, respectively. This is mainly attributable to our exposure to interest rates on its bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure at the end of the reporting period does not reflect the exposure during the respective years.

Credit Risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of our Company believe that there is no material credit risk inherent in our outstanding balance of other receivables.

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

Liquidity risk

As of 31 August 2014, 2015 and 2016 and 30 November 2016, we recorded net current liabilities of RMB683.2 million, RMB14.6 million, RMB457.6 million and RMB467.1 million, respectively. In view of these circumstances, our Directors have given consideration of our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient

FINANCIAL INFORMATION

financial resources to continue as a going concern. Our Directors are satisfied that our Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account our cash flow projection, repayment of advance from related parties, unutilised bank facilities and our future capital expenditure in respect of its non-cancellable capital commitments. Our Directors consider that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, our financial statements have been prepared on a going concern basis.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, save as disclosed in the paragraph headed “Indebtedness” above, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of 31 December 2016 as valued by DTZ Cushman Wakefield Limited, an independent property valuer, was RMB508.3 million. There was a net revaluation deficit, representing the deficit market value of the properties below their book value as of 31 August 2016. There was a net revaluation deficit, representing the deficiency in market value of the properties below their net book value as of 31 December 2016. We considered that there is no impairment on these properties as the value in use of these properties are higher than the carrying amount as of 31 December 2016. Management of the Company considered there is no impairment indicator on these properties as these properties are mainly school premises in Dongguan which are profit generating. Further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by DTZ Cushman Wakefield Limited are set out in Appendix III to this prospectus.

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us as of 31 December 2016 and such property interests in our consolidated statements of financial position as of 31 August 2016 as required under Rule 5.07 of Listing Rules is set forth below:

	<i>RMB'000</i>
Net book value of the following properties as at 31 August 2016:	
Buildings and construction in progress included in property, plant and equipment	1,257,974
Prepaid lease payments	232,022
Investment properties	19,700
Less: Buildings and lease payment located on collective owned land without commercial value	<u>(863,496)</u>
	646,200
Less: Depreciation and amortisation for the four months ended 31 December 2016	(6,100)
Fair value loss on investment properties	<u>(1,400)</u>
	638,700
Valuation surplus (deficit)	<u>(130,400)</u>
Valuation as at 31 December 2016	<u><u>508,300</u></u>

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the industry in which we operate since 31 August 2016 and there was no event since 31 August 2016 which would materially affect the information shown in the Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 or any future date following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 August 2016 (RMB'000)⁽¹⁾	Estimated net proceeds from the Global Offering (RMB'000)⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company (RMB'000)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share RMB⁽³⁾ HK\$⁽⁴⁾	
Based on Offer					
Price of HK\$1.70 (RMB1.46) per Share	830,775	684,890	1,515,665	0.76	0.88
Based on Offer					
Price of HK\$2.28 (RMB1.96) per Share	830,775	927,070	1,757,845	0.88	1.02

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 31 August 2016 of approximately RMB830,775,000 as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 500,000,000 shares at the indicative Offer Price of lower limit and upper limit of HK\$1.70 (equivalent to RMB1.46) and HK\$2.28 (equivalent to RMB1.96) per Share, respectively, after deduction of estimated underwriter fees and other related expenses (excluding approximately RMB24,401,000 listing expenses which have been accounted for prior to 31 August 2016) and do not take into account any Share that may be issued pursuant to the exercise of the Over-allotment Option. The calculation of such estimated net proceeds also does not take into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed "Share Capital – General Mandate to Issue Shares" or "Share Capital – General Mandate to Repurchase Shares" in this document. The proceeds from the Global Offering are converted from Hong Kong Dollars to Renminbi at an exchange rate of RMB0.8610 to HK\$1.000, the rate of The People's Bank of China prevailing on 31 August 2016. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is based on 2,000,000,000 shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue. It does not take into account any share which may be issued upon the exercise of the Over-allotment Option. In addition, it does not take into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed "Share Capital – General Mandate to Issue Shares" or "Share Capital – General Mandate to Repurchase Shares" in this document.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share are converted into Hong Kong Dollars at an exchange rate of RMB0.8610 to HK\$1, the rate of The People's Bank of China prevailing on 31 August 2016. No representation is made that the Renminbi amounts have been could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.
- (5) No adjustments has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.

CONTRACTUAL ARRANGEMENTS

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private education business through our Consolidated Affiliated Entities in the PRC as PRC laws and regulations generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation, in addition to imposing a qualification requirement on the foreign owners. Further, government approval in respect of Sino-foreign cooperation had been withheld. We do not hold any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we obtain control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations.

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

Primary school and middle school education

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 18 June 2012 (the "**Implementation Opinions**"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog.

Under the Foreign Investment Catalog, the latest amendment to which was promulgated by the NDRC and the MOFCOM in March 2015 and became effective on 10 April 2015, primary schools and middle schools offering compulsory education for students from grade one to nine fall within the "prohibited" category. As a result of the prohibition on foreign ownership, foreign investors (including individuals, companies, partnerships, educational institution and any other entities) are prohibited from owning primary schools or middle schools in the PRC, whether through direct investments or through wholly-owned subsidiaries in the PRC.

For this reason, the primary schools and middle schools operated by us in the PRC are held by Guangdong Guangzheng, Panjin Guangzheng and Huizhou Guangzheng, which are directly or indirectly wholly-owned by the Registered Shareholders, and controlled by us pursuant to the Contractual Arrangements.

High school education

Pursuant to the Foreign Investment Catalog, the provision of high school education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly restricts high schools to Sino-foreign cooperation, which means that foreign investors may only operate pre-schools and high schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**").

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, the foreign investor in a Sino-foreign cooperative school for PRC students at a high school (a "**Sino-Foreign Cooperative Private School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Cooperative Private School should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

CONTRACTUAL ARRANGEMENTS

Our PRC Legal Adviser (i) has reviewed the Sino-foreign cooperative school application form (中外合作辦學機構申請表) setting out the information required from the foreign investor (indicating its type), which may be a national, public or private school or a for-profit entity or not-for-profit entity or other types; and (ii) has advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. We have taken steps to meet the Qualification Requirement as set out in the paragraph below headed “Plan to comply with the Qualification Requirement” below. In the event that we decide to establish a Sino-foreign cooperative school in the PRC, we will seek guidance and advice from the relevant government authorities as to specific criteria to be met and whether the Qualification Requirement has been satisfied.

On 17 May 2016, with the assistance of our PRC Legal Adviser, we consulted Dongguan Education Bureau. We were advised by the interviewee, namely the vice head of the private schools administration division (民辦學校管理科) of Dongguan Education Bureau that:

1. save for one kindergarten, no Sino-foreign cooperative private high schools in Dongguan had been approved after the Sino-Foreign Regulation became effective on 1 September 2003;
2. the execution of the Contractual Arrangements will not be considered as Sino-foreign cooperation in the operation of schools and does not require approval from the education authorities;
3. generally a full secondary school operates as a single entity and has only one school sponsor, and separation of an established full secondary school to a middle school and a high school is generally not supported by the government.

As advised by our PRC Legal Adviser, based on (i) the Education Law of the PRC which provides that secondary and lower education shall be managed by the local people’s government under the leadership of the State Council; and (ii) the Law for Promoting Private Education which provides that educational administrative departments of local people’s governments at or above the county level shall manage the non-state education within their respective administrative area, the interviewee at Dongguan Education Bureau was the competent authority to confirm the above. It is unlikely that his views will be challenged by higher authorities in the PRC.

We have obtained written confirmations from Guangdong Education Bureau, Dongguan Education Bureau, Huizhou Education Bureau, Panjin City Education Bureau and Guang’an Education and Sports Bureau confirming that the examination and approval process for Sino-foreign cooperative high school had been suspended as of such respective confirmation. Our PRC Legal Adviser advised that such confirmations are consistent with our PRC Legal Adviser’s understanding of the policy of the Ministry of Education of the PRC regarding the approval of Sino-foreign cooperative high schools, which had been confirmed in the written confirmation issued by Guangdong Education Bureau. We have also obtained (i) a written confirmation from the Dongguan Education Bureau that it does not support the separate operation of the high school section of Dongguang Guangzheng Preparatory School and Dongguan Guangming School; (ii) a written confirmation from the Huizhou Education Bureau that Huizhou Guangzheng Preparatory School was approved to be established as an institution offering full 12-year education, of which the high school section forms an integral part, and the separate operation of its high school section is not necessary; and (iii) a written confirmation from Weicheng District Education Bureau of Weifang City, confirming that, based on its communications with Weifang City Education Bureau, given that Weifang Guangzheng Preparatory School had not started the operation of its high school section, Weifang City Education Bureau would not respond or provide confirmation on enquiries relating to the operation of high school or cooperation in connection therewith.

CONTRACTUAL ARRANGEMENTS

As at the Latest Practicable Date, we had not made any definitive decision to commence offering high school education in Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Yunfu Guangzheng Preparatory School, or Zhaoqing Guangming Preparatory School, and accordingly had not commenced any actual preparatory work for any such offering. In the event that we decide to commence any such preparatory work, we will seek legal advice as well as guidance from the competent governmental authorities, where appropriate, with respect to the offering of high school education prior to the commencement thereof in any of these schools.

As advised by our PRC Legal Adviser, the Guangdong governmental authority has not promulgated any implementing measures or specific guidance pursuant to the Sino-Foreign Regulation as of the Latest Practicable Date. Our Company is not aware of any applications in respect of Sino-Foreign cooperative schools, whether private or public, being previously submitted for approval with the authority in Guangdong Province. As advised by our PRC Legal Adviser, private schools established by enterprises, institutions, public organizations, other social organisations and individuals using non-government funds are highly regulated under the Law for Promoting Private Education and its implementation rules, which are not applicable to public schools. Please refer to the section headed "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for further details.

Given that as at the Latest Practicable Date, as advised by our PRC Legal Adviser, we did not meet the Qualification Requirement as we had no experience in operating a school outside of the PRC, it is therefore not practicable for us to seek to apply to reorganise any of our Consolidated Affiliated Entities as a Sino-foreign cooperative private school.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We will make 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 Cooperative Private School in the Guangdong Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. Please refer to the paragraphs headed "Circumstances in which we will unwind the Contractual Arrangements" and "Plan to comply with the Qualification Requirement" in this section for further details.

Due to the regulatory restrictions stated above, our high schools are in the form of a domestic Chinese high school and we do not hold any direct equity interest in, but rather control by way of the Contractual Arrangements with, such schools.

As at the Latest Practicable Date, we have not encountered any interference or encumbrance from any governing bodies in relation to the Contractual Arrangements. The consolidated financial results of our Consolidated Affiliated Entities, which engage in education service, are consolidated to those of our Group. Our PRC Legal Adviser has opined that each of our Consolidated Affiliated Entities has been legally established and the Contractual Arrangements in relation to the operation of schools are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Adviser, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our schools do not render our education business as illegal operations in the PRC.

Circumstances in which we will unwind the Contractual Arrangements

Under the Sino-Foreign Regulation, foreign investment in high schools in the PRC is required to be in the form of cooperation between Chinese educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, foreign investors can only hold less than 50% interest in a Sino-Foreign Cooperative Private School and not less than 50% of the governing body of the high school or institute offering higher education must be appointed by the Chinese school sponsors.

CONTRACTUAL ARRANGEMENTS

Provided that the PRC government allows the separate operation of middle school and high school in an established full secondary school, irrespective of the Qualification Requirement given that we have adopted a specific plan and begun to take concrete steps which we reasonably believe are meaningful endeavours to demonstrate compliance with the Qualification Requirement, in the event that (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, to the extent permitted by the applicable PRC laws and regulations at the relevant time, we intend that:

1. in circumstance (a), we will partially unwind the Contractual Arrangements and directly hold equity interest of less than 50% in the relevant school (such as 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 Cooperative Private School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed, our Company will still rely on the Contractual Arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of board of directors of the relevant school. We will then control the voting power of the other members to the board of directors appointed by the domestic interest holder(s) by way of Contractual Arrangements;
2. in circumstance (b), we will partially unwind the Contractual Arrangements and directly hold equity interest of less than 50% in the relevant school (such as 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 Cooperative Private School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members to the board of directors of the school;
3. in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-Foreign Cooperative Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we are not eligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members to the board of directors who together shall constitute less than 50% of board of directors of the relevant school. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Contractual Arrangements. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Contractual Arrangements; and
4. in circumstance (d), we would be allowed to directly hold 100% of the interests in the schools and our Company will fully unwind the Contractual Arrangements and directly hold all equity interest in the schools. Our Company will also acquire rights to appoint all members to the board of directors of the school. If, subject to applicable government approvals, we hold interests in any for-profit schools in the future, we will receive profit distributions as equity holder of such schools. For our schools which are not-for-profit schools, we will (through our wholly-owned subsidiaries established in the PRC) enter into exclusive management consultancy and business cooperation agreements (similar to that under the Contractual Arrangements) with such schools pursuant to which such subsidiaries established in the PRC will provide corporate management and education management consultancy services, intellectual property licensing services as well as technical and business support service in return for service fees.

CONTRACTUAL ARRANGEMENTS

In addition, we have decided that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Dongguan Ruixing will exercise the call option under the Exclusive Call Option Agreement in full to unwind the Contractual Arrangements so that we are able to directly operate our schools without using the Contractual Arrangements or include only the domestic interests under the Contractual Arrangements.

Plan to comply with the Qualification Requirement

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

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. In February 2016, we entered into a memorandum of understanding (the “MOU”) with Dewey College, an independent high school subject to inspection by the Ontario Ministry of Education, Canada, with respect to the parties’ proposed cooperation in setting up a private school in Canada, offering secondary and pre-university education, as well as other proposed cooperations in international education. According to the MOU, we will provide funding for the new school, the amount of which will be determined at a later date; Dewey College will provide school management services and utilize its partnership relations with certain Canadian universities to provide assistance to our graduates who wish to pursue further studies in Canada. As of the Latest Practicable Date, we had established a subsidiary in Canada, which is a joint venture company with Dewey International Holdings Limited to act the investor and business developer for the development of the new school in Canada. As of the Latest Practicable Date, we have incurred expenses of approximately USD41,000 in connection with legal services regarding the joint venture company and invested CAD150,000 in the joint venture company, which was held as to 55% and 45% by our Group and Dewey International Holdings Limited, respectively. Please refer to the section headed “Business – Development of New Schools – Dewey College (high school)” in this prospectus for further details of the MOU and our international development plan. Under the current proposed cooperation proposal by our Group, we will be responsible for, among other matters, (i) selecting and recruiting suitable students in the PRC in accordance with the entrance requirements of the new school in Canada; (ii) providing preparatory courses for students at our schools in the PRC who plan to pursue further studies in the new school in Canada; (iii) participating in the design of the high school programmes in the new school in Canada, especially for students who received fundamental education in the PRC; and (iv) providing assistance in the design of Chinese courses as electives for high school students in the new school in Canada.

In the opinion of our PRC Legal Adviser, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming we gain a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtain the approval of the relevant education authorities for the establishment of a Sino-Foreign Cooperative Private School in the future (provided that the PRC laws and regulations do not impose new requirements, restrictions or prohibitions in relation to the establishment of a Sino-Foreign Cooperative Private School), we will be able to operate our schools in the PRC directly through our new school overseas or such other entity subject to the approval from the competent educational authorities.

CONTRACTUAL ARRANGEMENTS

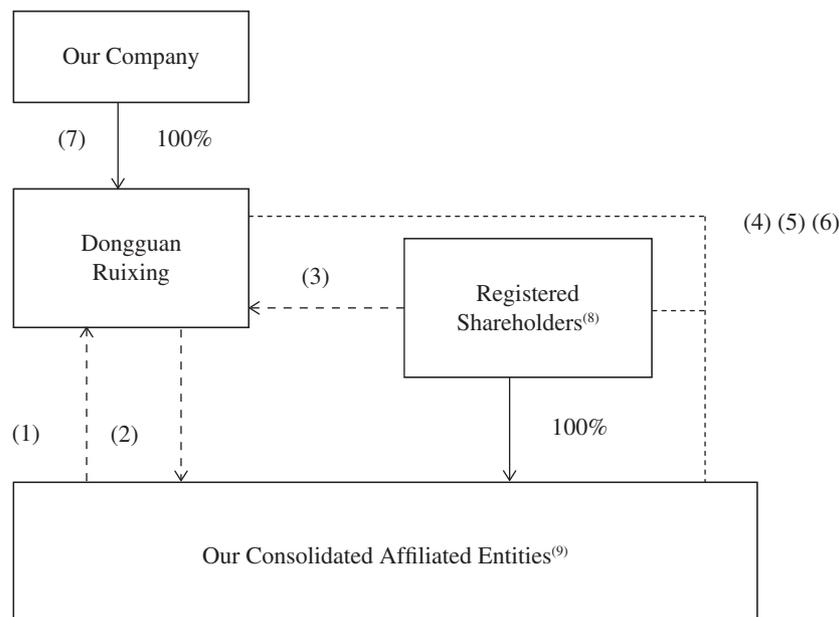
Furthermore, we have undertaken to the Stock Exchange that we will:

- (a) under the guidance of a PRC legal adviser, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and
- (b) provide periodic updates in our annual and interim reports after Listing to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of our operations, on 1 July 2016, our wholly-owned subsidiary, Dongguan Ruixing entered into various agreements that constitute the Contractual Arrangements with, among others, our Consolidated Affiliated Entities, under which all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to Dongguan Ruixing to the extent permitted under the PRC laws and regulations by means of services fees payable by our Consolidated Affiliated Entities to Dongguan Ruixing.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) Payment of service fees. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Exclusive Management Consultancy and Business Cooperation Agreement” of this prospectus for further details.
- (2) Provision of services. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Exclusive Management Consultancy and Business Cooperation Agreement” of this prospectus for further details.
- (3) Powers of attorney to exercise all shareholders’ rights in our Consolidated Affiliated Entities. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Powers of attorney” of this prospectus for further details.
- (4) Exclusive call option to acquire all or part of the equity interest in our Consolidated Affiliated Entities. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Exclusive Call Option Agreement” of this prospectus for further details.

CONTRACTUAL ARRANGEMENTS

- (5) Pledge of all the equity interest in Guangdong Guangzheng. Please refer to “Contractual Arrangements – Summary of the material terms of the Contractual Arrangements – Equity Pledge Agreement” of this prospectus for further details.
- (6) Provision of loans. Please refer to “Contractual Arrangements – Summary of material terms of the Contractual Arrangements – Loan Agreement” of this prospectus for further details.
- (7) Dongguan Ruixing is an indirect wholly-owned subsidiary of our Company.
- (8) Registered Shareholders refer to the registered shareholders of Guangdong Guangzheng, i.e. Ms. Li and Mr. SP Liu. Guangdong Guangzheng is legally held as to 98.8% by Ms. Li and 1.2% by Mr. SP Liu. Out of the 98.8% equity interest in Guangdong Guangzheng held by Ms. Li, 60.8% equity interest is held on trust by Ms. Li for Mr. Liu. The 1.2% equity interest in Guangdong Guangzheng is held on trust by Mr. SP Liu for Mr. Liu.
- (9) Our Consolidated Affiliated Entities comprised Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang’an Guangzheng, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng and Yunfu Guangzheng as at the Latest Practicable Date.
- (10) “___” denotes direct legal and beneficial ownership in the equity interest.
- (11) “-----” denotes Contractual Arrangements.

Guangdong Guangzheng is a special purpose vehicle established as a holding company to hold interests in our other Consolidated Affiliated Entities. It is engaged in investment in both compulsory education and high school education as the school sponsor or the holding company thereof. Guangdong Guangzheng is not engaged in any other business other than the aforesaid. Under the Contractual Arrangements, each of our Consolidated Affiliated Entities (including Guangdong Guangzheng and our schools) entered into the Exclusive Management Consultancy and Business Cooperation Agreement and Loan Agreement with, among others, Dongguan Ruixing pursuant to which each of Guangdong Guangzheng and our schools will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Dongguan Ruixing to any of our schools, the respective service fee will be paid by such school to Dongguan Ruixing directly. As advised by our PRC Legal Adviser, our ability to enforce our interest over our schools is no less effective than in the case where all of the Contractual Arrangements were entered into directly between Dongguan Ruixing and each of our schools only. Instead, it offers further protection in our favour by virtue of the existence of Guangdong Guangzheng and the pledge over the equity interests in Guangdong Guangzheng pursuant to the Equity Pledge Agreement as part of the Contractual Arrangements. This is because, as a matter of PRC law, the school sponsors cannot pledge their interests in the schools (which are, by nature, not equity interests) and any such pledge (if any) would be unenforceable under the PRC laws and regulations. With the existence of Guangdong Guangzheng as the holding company, the equity interests thereof are able to be pledged in our favour as part of the protective and control mechanism under the Contractual Arrangements, thereby substantially reduces the uncertainties arising from the inability to obtain any direct pledge over the interests in the schools. Accordingly, it is necessary and in our benefit for Guangdong Guangzheng to directly enter into the Contractual Arrangements with the relevant parties to maintain our control over our Consolidated Affiliated Entities.

CONTRACTUAL ARRANGEMENTS

Summary of the Material Terms of the Contractual Arrangements

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

Exclusive Management Consultancy and Business Cooperation Agreement

Pursuant to the exclusive management consultancy and business cooperation agreement entered into by and among Dongguan Ruixing, Guangdong Guangzheng and its subsidiary entities as described therein which are our Consolidated Affiliated Entities, and the Registered Shareholders on 1 July 2016 (the “**Exclusive Management Consultancy and Business Cooperation Agreement**”), Dongguan Ruixing 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 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, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time. Among such services, during the Track Record Period, Guangdong Guangzheng provided our schools with advisory services on asset and business operation, loan restructuring, employee training, market survey, research and consulting and market development and planning at a management fee. As at 31 August 2016, Guangdong Guangzheng had over 50 personnel (including legal and accounting professionals) responsible for providing such services. We are in the course of transferring the relevant staff to continue providing such services to our schools from time to time pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement. Dongguan Ruixing also plans to recruit additional personnel prior to Listing to provide such services which include two in-house certified lawyers to advise our schools on the legal matters from time to time including contractual matters, mergers and acquisitions and joint ventures. In addition, Bright Education HK will assign the trademarks set out in the paragraph headed “B. Further information about our business – 2. Intellectual Property Rights” to Dongguan Ruixing, with a view to enabling Dongguan Ruixing to license the trademarks to our schools. Dongguan Ruixing also intends to develop an integrated website for, and to provide public relations services to, our schools. We consider that, based on the relevant personnel’s experience in providing a variety of services and our proposed arrangements set out above, Dongguan Ruixing will have sufficient resources for providing our schools with the services contemplated under the Exclusive Management Consultancy and Business Cooperation Agreement. Without Dongguan Ruixing’s prior written consent, none of our Consolidated Affiliated Entities may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreement from any third party. Dongguan Ruixing owns all intellectual property rights arising out of the performance of this agreement.

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, Guangdong Guangzheng 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 Guangdong Guangzheng to acknowledge that it will assume rights and obligations as a subsidiary entity of Guangdong Guangzheng under the agreement. Accordingly, as at the Latest Practicable Date, Panjin Guangzheng Preparatory School, Weifang Guangzheng Preparatory School and Yunfu Guangzheng had acknowledged so.

In consideration of the services provided by Dongguan Ruixing or its designated third party, our 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 Dongguan Ruixing or its designated third party who provided the services and they will agree with Dongguan Ruixing or its designated third party who provided the services on the actual amount of the service fees to be paid after good faith negotiations.

CONTRACTUAL ARRANGEMENTS

As advised by our PRC Legal Adviser, the service fees payable to Dongguan Ruixing under the Exclusive Management Consultancy and Business Cooperation Agreement do not constitute returns to the school sponsor that are subject to the requirements relating to “reasonable returns” based on the following factors:

- (a) the Contractual Arrangements were entered into between the relevant parties based on their actual intentions. The services provided by Dongguan Ruixing under the Exclusive Management Consultancy and Business Cooperation Agreement and the service fee charged thereunder are based on actual transactions. Under such agreement, Dongguan Ruixing is required to provide each of our Consolidated Affiliated Entities with corporate management and educational management consultancy services, intellectual property licensing services as well as technical and business support services, and in consideration of the services provided by Dongguan Ruixing, a service fee will be payable by our Consolidated Affiliated Entities to Dongguan Ruixing, and they will agree with Dongguan Ruixing on the actual amount of the service fees to be paid after good faith negotiations;
- (b) the source of the reasonable returns to school sponsors differs from the source of the service fees. Such returns are generated from the operation of our schools and are considered to be rewards to the school sponsors through the laws and regulations of the PRC, which are different in nature from dividends payable to shareholders of a company; whereas the service fees are generated from the provision of services by Dongguan Ruixing to our Consolidated Affiliated Entities under the Exclusive Management Consultancy and Business Cooperation Agreement. The service fee constitutes revenue for Dongguan Ruixing and costs of our Consolidated Affiliated Entities for their business operation, and such fees form part of the commercial arrangements agreed among the relevant parties to the Contractual Arrangements. Accordingly, the income of Dongguan Ruixing is generated from the provision of services under the Contractual Arrangements, rather than receiving reasonable returns indirectly from our schools; and
- (c) school sponsors of our schools (which includes, among other entities, Guangdong Guangzheng, Huizhou Guangzheng and Panjin Guangzheng) are not the recipient of the service fee under the Exclusive Management Consultancy and Business Cooperation Agreement (i.e. Dongguan Ruixing). These school sponsors and Dongguan Ruixing are separate legal entities from each other. Accordingly, these school sponsors and their respective shareholders are not able to charge any fees and thereby indirectly receive returns through the Contractual Arrangements by way of charging our schools fees for the services provided by Dongguan Ruixing, or requiring Dongguan Ruixing to transfer the service fee to the school sponsors.

The Exclusive Management Consultancy and Business Cooperation Agreement will not expire unless the parties mutually agree to terminate or the term of operation of each of the parties to the agreement expire.

Furthermore, in order to prevent the leakage of assets and values of our Consolidated Affiliated Entities to their respective shareholders, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written approval from Dongguan Ruixing, our Consolidated Affiliated Entities shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any guarantee to any third party or the creation of any encumbrances in relation to its assets; (ii) the entering into of any loan or debt obligations owing to any third party; and (iii) the disposal or acquisition of any assets (including intellectual properties) with a value higher than RMB3 million.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of Dongguan Ruixing, none of the Consolidated Affiliated Entities shall change or remove the members of its board of directors who are appointed

CONTRACTUAL ARRANGEMENTS

by Dongguan Ruixing in accordance with the articles of association of each of our Consolidated Affiliated Entities. Dongguan Ruixing also has the right to appoint the school principals, financial controllers and other senior managers of our Consolidated Affiliated Entities. Dongguan Ruixing has absolute control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as our Consolidated Affiliated Entities and their shareholders have undertaken not to make any distribution without Dongguan Ruixing's prior written consent. Dongguan Ruixing also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities and the financial results of the Consolidated Affiliated Entities can be consolidated into our Group's financial information as if they were our Company's subsidiaries.

As at the Latest Practicable Date, Bright Education HK was in the process of setting up a wholly foreign-owned enterprise in Tibet, which we may designate as the service provider under the Exclusive Management Consultancy and Business Cooperation Agreement for the purpose of the Contractual Arrangements, in replacement of Dongguan Ruixing in the future where appropriate. We may make such arrangement in view of the preferential tax policies under the Regulations on the Implementation of Enterprise Income Tax Policy of Tibet Autonomous Region (《西藏自治區企業所得稅政策實施辦法》) promulgated on 1 May 2014, pursuant to which Tibet local government has exempted 40% enterprise income tax payable by enterprises in Tibet Autonomous Region for a period of two years commencing from 1 January 2015 to 31 December 2017. As at the Latest Practicable Date, we were not entitled to any such preferential tax treatments. Please see "Risk Factors – The preferential tax and other treatments contemplated by us may change or may become unavailable".

Exclusive Call Option Agreement

Under the exclusive call option agreement entered into by and among Dongguan Ruixing, the Registered Shareholders and Guangdong Guangzheng on 1 July 2016 (the "**Exclusive Call Option Agreement**"), the Registered Shareholders unconditionally and irrevocably agreed to grant Dongguan Ruixing an exclusive, unconditional and irrevocable option for Dongguan Ruixing or its designated third party to purchase all or part of the equity interests of the Registered Shareholders in Guangdong Guangzheng at nil consideration or at the lowest price permitted under the PRC laws and regulations, under circumstances in which Dongguan Ruixing or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Guangdong Guangzheng.

Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall return the amount of purchase price they have received to each of Guangdong Guangzheng, Dongguan Ruixing 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. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in the educational business will be removed in the future, the likelihood of which we were not in a position to know or comment on at the Latest Practicable Date.

In order to prevent the flow of the assets and value of our Consolidated Affiliated Entities to their respective shareholders, pursuant to the Exclusive Call Option Agreement, none of the assets of our Consolidated Affiliated Entities are to be sold, transferred or otherwise disposed of without the written consent of Dongguan Ruixing. In addition, under the Exclusive Call Option Agreement, none of the shareholders of our Consolidated Affiliated Entities may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in our Consolidated Affiliated Entities without Dongguan Ruixing's prior written consent.

In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Dongguan Ruixing or its designated third party. If Dongguan Ruixing exercises this option, all or any part of the equity interests of our Consolidated Affiliated Entities acquired would be transferred to Dongguan Ruixing and the benefits of equity ownership would flow to Dongguan Ruixing and its shareholders.

CONTRACTUAL ARRANGEMENTS

Equity Pledge Agreement

Pursuant to the equity pledge agreement entered into by and among Dongguan Ruixing, the Registered Shareholders and Guangdong Guangzheng on 1 July 2016 (the “**Equity Pledge Agreement**”), the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Guangdong Guangzheng to Dongguan Ruixing to guarantee performance of the obligations of Guangdong Guangzheng and its subsidiaries and schools under the Exclusive Management Consultancy and Business Cooperation Agreement and performance of their obligations under the Exclusive Call Option Agreement, the Powers of Attorney and the Loan Agreement. Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of Dongguan Ruixing, they will not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Dongguan Ruixing’s interest.

The equity pledge is required to be registered under the relevant laws and regulations. The equity pledge registration of Guangdong Guangzheng with the Dongguan City Administration Bureau for Industry and Commerce has been completed on 13 September 2016. The Equity Pledge Agreement shall remain valid until (i) all the contractual obligations of Guangdong Guangzheng, its subsidiaries and schools, the Registered Shareholders are satisfied in full under the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement, Powers of Attorney and the Loan Agreement, or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement, Powers of Attorney and the Loan Agreement, whichever is later.

There is no equity pledge arrangement regarding any equity pledges of our schools. As advised by our PRC Legal Adviser, even if we were to make an equity pledge arrangement regarding any equity pledges of our schools, given that the school sponsors’ interests over the schools are not, by nature, equity interests, any such pledge would be unenforceable under PRC laws and regulations.

To further enhance our Company’s security over our schools, our Company has taken measures to ensure that the seals of the schools are properly secured, are within the full control of our Company and cannot be used by the Registered Shareholders without its permission. Such measures include arranging for the company seals of the schools to be kept in the safe custody of the finance department of our Group and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorisation of our Company.

Powers of Attorney

Each of the Registered Shareholders has executed an irrevocable power of attorney dated 1 July 2016 (the “**Powers of Attorney**”) appointing Dongguan Ruixing, or any person designated by Dongguan Ruixing, as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Guangdong Guangzheng 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 Guangdong Guangzheng, unless Dongguan Ruixing requests to replace the appointed designee under the Powers of Attorney.

The articles of association of Guangdong Guangzheng state that the shareholders, in a shareholders’ meeting, have the power to approve its operating strategy and investment plan, elect the members of the board of directors and approve their compensation, and review and approve the annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement, we and our wholly-owned PRC subsidiary, Dongguan Ruixing, have the ability to exercise effective control over Guangdong Guangzheng through shareholder votes and, through such votes, to also control the composition of the board of directors for Guangdong Guangzheng.

CONTRACTUAL ARRANGEMENTS

In addition, the Powers of Attorney specifically provide that (i) the attorney-in-fact is entitled to sign minutes, file documents with the relevant companies registries, and (ii) in the event of a winding-up of any of our Consolidated Affiliated Entities, the attorney-in-fact 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 Consolidated Affiliated Entities that most significantly impact these entities' economic performance include:

- (a) as the attorney-in-fact of shareholders, we elect all members of the board of directors for each of our Consolidated Affiliated Entities, approve the director compensation, review and approve annual budget and vote on all matters that requiring approval from shareholders;
- (b) through the control over the Consolidated Affiliated Entities' boards, we appoint all senior management, approve executive compensation and review and approve operating, investing, and financing plans; and
- (c) through control over the management team, we effectively control the daily operations of our Consolidated Affiliated Entities.

Loan Agreement

Pursuant to the loan agreement entered into by and among, Dongguan Ruixing, Guangdong Guangzheng and its subsidiary entities as described therein which are our Consolidated Affiliated Entities, and the Registered Shareholders (the "**Loan Agreement**"), Dongguan Ruixing (or its designated related party) is entitled to provide interest-free loans to Guangdong Guangzheng or the Registered Shareholders from time to time in accordance with the PRC laws and regulations. All proceeds of such loans shall be utilised in the operation of Guangdong Guangzheng or its subsidiaries and loans may be injected as capital. The Loan Agreement will not expire unless the parties mutually agree to terminate or the term of operation of each of the parties to the agreement expire. Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Dongguan Ruixing. The loan will become due and payable upon Dongguan Ruixing's demand under any of the following circumstances: (i) the winding-up or liquidation of Guangdong Guangzheng; (ii) Guangdong Guangzheng or the Registered Shareholders becoming insolvent or incurring any other significant personal debt which may affect the ability of Guangdong Guangzheng to repay the loan under the Loan Agreement, or (iii) Dongguan Ruixing exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations. As advised by our PRC Legal Adviser, interest-free loans granted by Dongguan Ruixing to Guangdong Guangzheng or its subsidiaries or the Registered Shareholders are not in violation of the applicable PRC laws and regulations.

Dispute Resolution

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

The dispute resolution clause of each of the Contractual Arrangements also provide that the arbitral tribunal may award remedies over the shares or land assets of our Consolidated Affiliated Entities, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order

CONTRACTUAL ARRANGEMENTS

the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities.

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

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

- (a) Should Dongguan Ruixing intend to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, Dongguan Ruixing may either seek (i) the interim remedies available from a PRC arbitral tribunal described below, or (ii) the interim remedies before a PRC court pursuant to Articles 100 and 101 of the PRC Civil Procedure Law and Article 28 of the PRC Arbitration Law, rather than before any courts in Hong Kong or the Cayman Islands.
- (b) Under the current PRC law, the remedies that arbitral tribunals, including the China International Economic and Trade Arbitration Commission, are empowered to award are limited to the following:
 - cessation of infringements;
 - removal of obstacles;
 - elimination of dangers;
 - return of property;
 - restoration of original condition;
 - repair, reworking or replacement;
 - compensation for losses;
 - payment of breach of contract damages;
 - elimination of ill effects and rehabilitation of reputation; and
 - extension of apology.

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

CONTRACTUAL ARRANGEMENTS

- (c) Even if the abovementioned provisions may not be enforceable under the current PRC laws, our PRC Legal Adviser has confirmed that the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

Succession and assignments

The provisions set out in the Contractual Arrangements are also binding on the successors or assignees of Dongguan Ruixing or shareholders of our Consolidated Affiliated Entities, as if such successor or assignee was a signing party to the Contractual Arrangements notwithstanding how the successors or assignees acquire the rights and obligations under the Contractual Arrangements. In particular, pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and Loan Agreement, unless otherwise agreed, the rights and obligations under these agreements shall be binding on the successors or assignees (whether such rights and obligations is acquired, restructured, inherited, transferred or otherwise caused) of the parties to the agreements. Although our Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Dongguan Ruixing or our Company can enforce its right against the successors. Further, pursuant to the Powers of Attorney, in the event of death or any other event which causes the inability of any of the Registered Shareholders to perform their day-to-day obligations, the successor guardian or manager of such Registered Shareholder shall inherit any of the rights and obligations of any of the Registered Shareholders under the Contractual Arrangements subject to him or her being bound by the provisions of the Powers of Attorney. In addition, Dongguan Ruixing's rights to the equity interest pledged under the Equity Pledge Agreement shall not be affected by legal proceedings brought by any of the Registered Shareholders, their successors, assignees or any other person.

Therefore, our PRC Legal Adviser is of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of death of the shareholders of our Consolidated Affiliated Entities or the assignment of their rights and obligations under the Contractual Arrangements; and (ii) the death of such shareholders or such assignment would not affect the validity of the Contractual Arrangements, and Dongguan Ruixing or our Company can enforce its right under the Contractual Arrangements against the successors or assignees of such shareholders.

As advised by our PRC Legal Adviser, in the event that the trust arrangement among Ms. Li, Mr. SP Liu and Mr. Liu regarding the equity interest in Guangdong Guangzheng (as detailed in the section headed "History and development" of this prospectus) is terminated, the provisions of the Contractual Arrangements will also be binding on Mr. Liu based on the following reasons:

- (a) under the trust arrangement, in the event that the trust arrangement is terminated, Mr. Liu or his designated third person shall be registered as the shareholder of Guangdong Guangzheng and thus Mr. Liu (and any person designated by him) will be the successor or assignee of the Registered Shareholders after the termination of the trust arrangement;
- (b) pursuant to the provisions on succession and assignments as set out above, the Contractual Arrangements are binding on the successors or assignees of the Registered Shareholders. Mr. Liu shall be bound by the Contractual Arrangements as he (and any person designated by him) shall be regarded as a successor or assignee of the Registered Shareholders; and

CONTRACTUAL ARRANGEMENTS

- (c) Mr. Liu has undertaken (i) to comply with the terms of the Contractual Arrangements (including all amendments thereto); (ii) not to seek a court order to invalidate or nullify the Contractual Arrangements; (iii) to recognise all the declarations of intention made and the documents signed by the Registered Shareholders in respect of the Contractual Arrangements and to comply with the relevant legal obligations thereunder; and (iv) to comply with the Contractual Arrangements if the trust arrangement is terminated and Mr. Liu or a person designated by him is registered as a shareholder of Guangdong Guangzheng, Mr. Liu will still comply with the Contractual Arrangements.

Conflicts of Interests

To ensure our effective control over our Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders, the shareholders of Guangdong Guangzheng. Pursuant to the Exclusive Call Option Agreement, the Registered Shareholders agreed to grant us or our designated third party an exclusive option to purchase part or all of the equity interests in Guangdong Guangzheng, under circumstances in which our company or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Guangdong Guangzheng. Under the irrevocable Powers of Attorney executed by each of Registered Shareholders, they appointed Dongguan Ruixing, or any person designated by Dongguan Ruixing, as their respective attorney-in-fact to appoint directors and vote on her behalf on all matters of Guangdong Guangzheng requiring shareholders' approval under its articles of associations and under the relevant PRC laws and regulations.

Furthermore, there are mechanisms in place to protect against the spouse of Mr. SP Liu from exercising any control or influence over the Consolidated Affiliated Entities. Ms. Huang Ailing (黃愛領), the spouse of Mr. SP Liu, executed an irrevocable undertaking on 1 July 2016 (the “**SP Liu Spouse’s Undertaking**”) whereby she expressly and irrevocably (i) acknowledged the entry into of the Contractual Arrangements by Mr. SP Liu; (ii) undertook that she shall not take any actions that are in conflict with purpose and intention of the Contractual Arrangements, 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 Contractual Arrangements, any amendments thereto or the termination thereof.

The Registered Shareholders have undertaken that during the period that the Contractual Arrangements remain effective, (i) unless otherwise agreed to by Dongguan Ruixing in writing, they would not, directly or indirectly (either on their own account or through any natural person or legal entity) participate, engage in, acquire or hold (in any case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Guangdong Guangzheng and its subsidiaries (including any entities which interests are controlled by Dongguan Ruixing via contractual arrangements) or be interested therein; and (ii) any of their actions or omissions would not lead to any conflict of interest between them and Dongguan Ruixing (including its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Dongguan Ruixing has the sole absolute discretion to determine whether such conflict arises), they agree to take any appropriate actions as instructed by Dongguan Ruixing or its designee.

Based on the above, 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 our Group and the Registered Shareholders and such measures are sufficient to protect our Group’s interest in Guangdong Guangzheng.

CONTRACTUAL ARRANGEMENTS

Loss Sharing

None of the agreements constituting the Contractual Arrangements expressly provide that the Company or Dongguan Ruixing is obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, Guangdong Guangzheng is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or Dongguan Ruixing, as the primary beneficiary of our Consolidated Affiliated Entities, is not expressly required to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Despite the foregoing, given that our Group conducts its businesses in the PRC through our Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's financial statements and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the contractual arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on Dongguan Ruixing and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

For instance, as provided in the Exclusive Call Option Agreement, none of the assets of our Consolidated Affiliated Entities are to be sold, transferred or otherwise disposed of without the written consent of our Company. In addition, under the Exclusive Call Option Agreement, none of the shareholders of our Consolidated Affiliated Entities may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in our Consolidated Affiliated Entities without our Company's prior written consent.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of Dongguan Ruixing, our Consolidated Affiliated Entities shall not change or remove the members of the boards of directors who are appointed by Dongguan Ruixing in accordance with the memorandum and articles of association of each of our Consolidated Affiliated Entities. Dongguan Ruixing also has the right to appoint the school principals, financial controllers and other senior managers of our Consolidated Affiliated Entities. Dongguan Ruixing has absolute control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as our Consolidated Affiliated Entities and their shareholders have undertaken not to make any distribution without the prior written consent of Dongguan Ruixing. Dongguan Ruixing also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities and the financial results of our Consolidated Affiliated Entities can be consolidated into our Group's financial information as if they were our Group's subsidiaries.

CONTRACTUAL ARRANGEMENTS

Liquidation

According to the Exclusive Management Consultancy and Business Cooperation Agreement and the Exclusive Call Option Agreement, the shareholders of our Consolidated Affiliated Entities undertake to appoint a committee designated by Dongguan Ruixing as the liquidation committee upon the winding up of our Consolidated Affiliated Entities to manage their assets subject to the applicable PRC laws and regulations. In the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, subject to the applicable PRC laws and regulations, all of the remaining assets and residual interests of Consolidated Affiliated Entities shall be transferred to Dongguan Ruixing after such liquidation (the “**Liquidation Arrangements**”). On 7 December 2016, the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) was approved by the Standing Committee of the National People’s Congress (the “**Decision**”), which will become effective on 1 September 2017. The Decision clarifies the treatment of remaining assets upon liquidation of private schools. According to the Decision, upon liquidation of private schools, school sponsors of for-profit schools can obtain the schools’ remaining assets after settlement of the schools’ indebtedness. Pursuant to the Liquidation Arrangements, such remaining assets shall be transferred to Dongguan Ruixing. The Decision also states that upon liquidation of private not-for-profit schools which are established before the promulgation of the Decision (such as our existing schools), the school sponsors of which can apply for compensation or awards from the school’s remaining assets after the settlement of the school’s indebtedness and the rest of the school’s remaining assets shall be used for the operation of other non-for-profit schools. Pursuant to the Liquidation Arrangements, the aforesaid compensation or awards shall be transferred to Dongguan Ruixing. The Decision is silent on how or by whom the aforesaid rest of the remaining assets of a liquidated not-for-profit schools shall be dominated or disposed of. Moreover, as advised by our PRC Legal Adviser, as government-allocated land does not constitute assets of an entity in the event of liquidation under the applicable PRC laws and regulations, the land held by Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School, all being government-allocated land, and the buildings attached thereto cannot be transferred to Dongguan Ruixing upon liquidation of our Consolidated Affiliated Entities. Instead, upon liquidation, such schools will be entitled to compensation in relation to the buildings on such government-allocated land according to the applicable PRC laws and regulations, and such compensation will form part of the assets of the relevant Consolidated Affiliated Entities upon liquidation.

Taking into account that (a) the Contractual Arrangements will remain valid and enforceable upon the Decision becomes effective; and (b) rather than amending other regulations on liquidation, the Decision only clarifies that (i) the remaining assets of a not-for profit school upon liquidation may only be used for the operation of other not-for-profit schools; and (ii) the remaining assets of a for-profit school upon liquidation shall be distributed to the school sponsors in accordance with the PRC Company Law, provided that upon liquidation the remaining assets of our schools, which are not-for-profit schools, are to be used in accordance with the requirements above, the Liquidation Arrangements will not be in conflict with the relevant stipulations under the Decision, and the Decision will not result in any material adverse effect to the Liquidation Arrangements.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations and that:

- (a) each of Dongguan Ruixing and our Consolidated Affiliated Entities is a duly incorporated and validly existing company or school, and their respective establishment is valid, effective and complies with the relevant PRC laws; each of the Registered Shareholders is a natural person with full civil and legal capacity. Each of Dongguan Ruixing, our Consolidated Affiliated Entities and the Registered Shareholders has obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) as at the date of issuing their PRC opinion, no PRC laws explicitly prohibit contractual arrangements in the private education industry in China and none of the content or the execution of the Contractual Arrangements violates any provisions of PRC laws. Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as “concealment of illegal intentions with a lawful form” and void under the PRC Contract Law;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities and Dongguan Ruixing;
- (d) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto. In the event of bankruptcy of any of our Consolidated Affiliated Entities, Dongguan Ruixing is entitled to enforce its rights against the assignees or successors of any of the shareholder of our Consolidated Affiliated Entities;
- (e) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that the Exclusive Call Option Agreement is subject to approval by MOFCOM or its branch, and registration with the local administration bureau for industry and commerce upon the exercise by the Company of its rights under the Exclusive Call Option Agreement to acquire all or part of the equity interests in our Consolidated Affiliated Entities. On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and revised on 22 June 2009. Pursuant to the M&A Rules, the acquisition of a PRC domestic enterprise by a Foreign Investor (as defined in the M&A Rules) is subject to approval by, and registration with the relevant PRC regulatory authorities. In the event that our Company exercises of its rights under the Exclusive Call Option Agreement to acquire all or part of the equity interests in our Consolidated Affiliated Entities, it will need to obtain the approval of relevant PRC regulatory authorities pursuant to the M&A Rules;
- (f) each of the Contractual Arrangements is enforceable under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:
 - (i) the Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or land assets of our Consolidated Affiliated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets)

CONTRACTUAL ARRANGEMENTS

or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, our PRC Legal Adviser has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and

- (ii) the Contractual Arrangements provide that the shareholders of our Consolidated Affiliated Entities undertake to appoint a committee designated by Dongguan Ruixing as the liquidation committee upon the winding up of our Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC laws.

Our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our Consolidated Affiliated Entities which engage in the operation of primary, middle schools and high schools where the PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict operation of high schools to Sino-foreign cooperation, in addition to imposing Qualification Requirements on the foreign owners and withholding government approval in respect of Sino-foreign cooperation.

Our PRC Legal Adviser is of the view the Contractual Arrangements would not be deemed as “concealing illegal intentions within a lawful form” and void under the PRC Contract Law or other PRC laws and regulations based on the following factors:

- (a) the Contractual Arrangements were entered into between the relevant parties based on their actual business intentions. As disclosed in the paragraph headed “Summary of the Material Terms of the Contractual Arrangements” above, under the Contractual Arrangements, Dongguan Ruixing provides management consultancy services and other services to our Consolidated Affiliated Entities in consideration for a service fee. With a view to preventing the Registered Shareholders from controlling our Consolidated Affiliated Entities as the shareholder of Guangdong Guangzheng and to minimizing the default risk of the Contractual Arrangements, Dongguan Ruixing, the Registered Shareholders and our Consolidated Affiliated Entities entered into the Contractual Arrangements, including but not limited to the Exclusive Call Option Agreement, the Equity Pledge Agreement and the Power of Attorney, so that Dongguan Ruixing would have effective control over our Consolidated Affiliated Entities. Accordingly, the intentions for entering into the Contractual Arrangements as set out above did not constitute illegal intentions.
- (b) the exclusive management consultancy services provided under the Contractual Arrangements and the relevant service fees charged thereunder are based on actual transactions. Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, such services include, among other things, advisory services on asset and business operation and technology development, transfer and consulting services. The actual amount of service fees to be paid is to be agreed after good faith negotiations between the relevant parties.
- (c) under the Contractual Arrangements, the Company has not invested, directly or indirectly, in our schools through Dongguan Ruixing, and the Company is not, and has no intention to become, directly or indirectly, the school sponsor of our schools. Accordingly, our Group had no intention to violate the restrictions under the Foreign Investment Catalog through entering into the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

- (d) the current laws and regulations do not prohibit contractual arrangements in relation to schools operating in the PRC. Based on the principles of the Draft Foreign Investment Law, where a foreign invested enterprise in the PRC with a contractual arrangement is deemed to be ultimately controlled by PRC domestic investors, the contractual arrangements and the business activities of the relevant enterprise can be maintained. Considering that (i) the ultimate controlling persons of our Company are of Chinese nationality; (ii) the ultimate shareholders of our Consolidated Affiliated Entities are also of Chinese nationality; and (iii) our Consolidated Affiliated Entities are controlled by PRC domestic investors, the Contractual Arrangements do not violate the principles set out in the Draft Foreign Investment Law.

On 7 November 2016, the Decision was approved by the Standing Committee of the National People's Congress, and will become effective on 1 September 2017. Our PRC Legal Adviser has advised us that, the Decision has no material impact on the Contractual Arrangements and that the Contractual Arrangements will remain legal and effective after the Decision becomes effective, if 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 “**Sino-foreign Schools Regulation**”), the Foreign Investment Industries Guidance Catalog (Amended in 2015) (《外商投資產業指導目錄》(2015年修訂)) (the “**Guidance Catalog**”) and other relevant PRC laws remain unchanged by then, because (i) the Sino-foreign Schools Regulation and the Guidance Catalog still prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of high schools to Sino-foreign cooperation; and (ii) the Decision does not prohibit the Contractual Arrangements in relation to schools operating in the PRC, and does not prohibit the payment of service fees by private schools operating in the PRC to their service providers, including the payment of fees pursuant to the Contractual Arrangements.

We have been advised by our PRC Legal Adviser, however, that there are substantial uncertainties regarding the interpretation and application of the Decision. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Adviser.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. Please refer to the section headed “Risk Factors – Risks Relating to the Contractual Arrangements” in this prospectus.

The equity interest of Guangdong Guangzheng is held as to 98.8% and 1.2% by Ms. Li and Mr. SP Liu, respectively. Pursuant to a trust arrangement (the “**Trust Arrangement**”) as set out in the section headed “History and Development” in this prospectus, a total of 62% equity interest of Guangdong Guangzheng is held on trust by Ms. Li and Mr. SP Liu for Mr. Liu. As advised by our PRC Legal Adviser, Ms. Li and Mr. SP Liu were duly authorised by Mr. Liu to enter into the Contractual Arrangements and Mr. Liu may not seek a court order to nullify or invalidate the Contractual Arrangements in the capacity of the beneficial owner of 62% equity interest in Guangdong Guangzheng, taking into account that:

- (a) pursuant to the Trust Arrangement, Ms. Li and Mr. SP Liu were required to transfer, pledge or otherwise deal in the equity interest in Guangdong Guangzheng held on behalf of Mr. Liu according to the instructions of Mr. Liu, and Mr. Liu agreed to undertake the legal obligations in relation to any actions undertaken by Ms. Li and Mr. SP Liu in exercise of their shareholders' rights attached to such equity interest according to the instructions of Mr. Liu. As confirmed by Mr. Liu, prior to entering into the Contractual Arrangements, Mr. Liu has communicated with Ms. Li and Mr. SP Liu of his instructions in relation to the Contractual Arrangements and has authorised them to enter into the Contractual Arrangements. Mr. Liu and Ms. Li have also undertaken to comply with the Contractual Arrangements. Further, Mr. Liu has not objected to the entering into of the Contractual Arrangements as he signed the relevant agreements as the legal representative of certain of our Consolidated Affiliated Entities;

CONTRACTUAL ARRANGEMENTS

- (b) Mr. Liu has confirmed that, as the beneficial owner of 62% equity interest in Guangdong Guangzheng, he agreed to the entering into of the Contractual Arrangements and all the documents executed in relation thereto. He has also undertaken to comply with the Contractual Arrangements during their respective effective periods and agreed to undertake any applicable legal obligations under the Contractual Arrangements and not to seek any court order to invalidate the Contractual Arrangements; and
- (c) pursuant to the Trust Arrangement, in the event that the Trust Arrangement is terminated, 62% of the equity interest in Guangdong Guangzheng held by Ms. Li and Mr. SP Liu will be transferred to Mr. Liu. Pursuant to the Contractual Arrangements, save as otherwise agreed, the rights and obligations thereunder will be legally binding upon the successors or assigns of such rights and obligations pertaining to the equity interest in our Consolidated Affiliated Entities. Accordingly, if the Trust Arrangement has been terminated, the legal obligations under the Contractual Arrangements will be binding on Mr. Liu as the registered owner of Guangdong Guangzheng at the relevant time.

Accordingly, our PRC Legal Adviser is of the view that the effect (if any) of possible termination of the trust arrangement among Ms. Li, Mr. SP Liu and Mr. Liu on the Contractual Arrangements will be minimal.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entities

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our Consolidated Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our Consolidated Affiliated Entities.

Under the Exclusive Management Consultancy and Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Dongguan Ruixing, each of our Consolidated Affiliated Entities will pay service fees to Dongguan Ruixing or its designated third party. The service fees are equal to 100% of the net income after deducting the relevant costs, tax payments and reserved funds as required by relevant laws and regulations of our Consolidated Affiliated Entities and our Consolidated Affiliated Entities will agree with Dongguan Ruixing or its designated third party who provided the services on the actual amount of service fees to be paid after good faith negotiations. This arrangement allows the Consolidated Affiliated Entities to retain sufficient working capital to carry out any growth plans. Dongguan Ruixing also has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, Dongguan Ruixing has the ability, at its sole discretion, to extract substantially all of the economic benefit of our Consolidated Affiliated Entities through the Exclusive Management Consultancy and Business Cooperation Agreement. In addition, under the Exclusive Management Consultancy and Business Cooperation Agreements, Dongguan Ruixing has absolute contractual control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as Dongguan Ruixing's prior written consent is required before any distribution can be made. In the event that the registered shareholders of our Consolidated Affiliated Entities receive any profit distribution or dividend from the Consolidated Affiliated Entities, the registered shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company. As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through Dongguan Ruixing or its designated third party and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by our Consolidated Affiliated Entities.

CONTRACTUAL ARRANGEMENTS

Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. In this regard, our Directors consider that the Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Group's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 3 to the Accountant's Report set out in Appendix I to this prospectus.

Tax implications

Under the Contractual Arrangements, Dongguan Ruixing will receive service fee from our Consolidated Affiliated Entities and the service fee will be subject to EIT at 25% and VAT at 6%, and our Consolidated Affiliated Entities should be able to claim EIT deduction and VAT credit on the same amount, resulting in nil or minimal overall tax effect. Any dividend payment from Dongguan Ruixing to our Company should be subject to withholding tax in the PRC at 10%; the same withholding tax rate would have applied even if the Contractual Arrangements were not in place and if the dividends were remitted directly from our Consolidated Affiliated Entities to the Company. Preferential withholding tax rates on dividends of 5% may be available if the relevant members of our Group satisfy certain conditions pursuant to the double tax arrangement between Hong Kong and the PRC and the relevant tax rules. During the Track Record Period, we did not declare any dividend and therefore there was no PRC withholding tax obligation and no accrual of deferred tax. If a company in the PRC declares dividend to another resident company in the PRC, the dividend payment is not subject to any PRC withholding tax. If a company in the PRC declares dividend to a company in Hong Kong, the dividend payment is subject to PRC withholding tax rate of 10%, or 5% if certain conditions pursuant to the double tax arrangement between Hong Kong and the PRC and the relevant tax rules are satisfied.

Under the applicable PRC laws and regulations, if the relevant PRC tax authorities determine that the transactions between Dongguan Ruixing and our Consolidated Affiliated Entities are not conducted on an arm's length basis, such PRC tax authorities may adjust the taxable income of the relevant entities, which could increase our tax liabilities. Please refer to the section headed "Risk factors – Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, which may impose late payment fees and other penalties on us" for further details.

It is not the purpose or aim of our Group to transfer the profits of our Consolidated Affiliated Entities to Dongguan Ruixing through the Contractual Arrangements without actual transactions or services. Pursuant to the terms of the Contractual Arrangements, actual transactions will be conducted between Dongguan Ruixing and our Consolidated Affiliated Entities, with Dongguan Ruixing rendering actual services to our Consolidated Affiliated Entities, and the service fees thereunder shall be determined after arms' length negotiations based on, among other factors, the relevant prevailing market prices of such transactions. In light of the above, our PRC Legal Adviser is of view that, the likelihood of such actual transactions and services contemplated under the Contractual Arrangements being challenged successfully by the PRC tax authorities as not conducted on an arm's length basis is remote.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law

The MOFCOM published a discussion draft of the proposed Foreign Investment Law (中華人民共和國外國投資法) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft in 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

CONTRACTUAL ARRANGEMENTS

Among other things, the Draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise, or an foreign invested entity (“FIE”). The Draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the “restricted category” on the “negative list” to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, “control” is broadly defined in the draft law to cover any of the following summarised categories:

- holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders’ meeting or the board; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial, staffing and technology matters.

In respect of “actual control”, the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft Foreign Investment Law defined “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities by Dongguan Ruixing, through which we operate our education business in PRC. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. For companies with a VIE structure in an industry category that is in the “restricted category” on the “negative list” it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the “negative list” without market entry clearance may be considered as illegal.

Pursuant to the Draft Foreign Investment Law, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the “negative list” and the domestic enterprise does not apply for and obtain the necessary permission.

CONTRACTUAL ARRANGEMENTS

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The “negative list” set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Pursuant to the Decision of the Standing Committee of the National People’s Congress on Revising Four Laws including the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (全國人民代表大會關於修改〈中華人民共和國外資企業法〉等四部法律的決定), which was promulgated by the Standing Committee of the National People’s Congress on 3 September 2016 and became effective on 1 October 2016, the establishment, demerger, merger or other major corporate changes for a wholly foreign-owned enterprise whose establishment does not involve the special entry administrative measures will only be subject to record-filing requirements. Furthermore, pursuant to the Announcement of the National Development and Reform Commission and the Ministry of Commerce [2016] No. 22 (中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告2016年第22號), the scope of the special entry administrative measures for the foreign investments shall be implemented in accordance with the relevant requirements under the Foreign Investment Catalog for the restricted and prohibited categories and the relevant shareholding and senior management requirements for the encouraged categories. Accordingly, as advised by our PRC Legal Adviser, as the Group’s offering of compulsory education and high school education are in the prohibited category and restricted category, respectively, and are thus subject to the special entry administrative measures, the above documents are not expected to have any material impact on the Group.

Notwithstanding that the accompanying explanatory notes to the Draft Foreign Investment Law (the “**Explanatory Notes**”) do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures and conducting business in an industry falling in the “negative list”:

- (i) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;
- (ii) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation; and
- (iii) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in

CONTRACTUAL ARRANGEMENTS

Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

Potential impact to our Company if the Contractual Arrangements are not treated as domestic investment

If the operation of our schools is no longer in the "negative list" and our Group can legally operate the education business under PRC Laws, Dongguan Ruixing will exercise the call option under the Exclusive Call Option Agreement to acquire the equity interest of Guangdong Guangzheng and unwind the Contractual Arrangements subject to reapproval by the relevant authorities.

If the operation of our schools is in the "negative list", the Contractual Arrangements may be viewed as prohibited or restricted foreign investment. If the Draft Foreign Investment Law is refined and deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, our Group would not be able to operate our schools through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our PRC Operating Entities. As a result, the financial results of our Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognise their assets and liabilities according to the relevant accounting standards. An investment loss would be recognised as a result of such derecognition.

CONTRACTUAL ARRANGEMENTS

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

However, there are uncertainties as to what the definition of control may be under the finally enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Adviser's understanding. Please refer to the section headed "Risk Factors – Risks relating to our Contractual Arrangements" of this prospectus for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

If the Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Liu and Ms. Li, the co-founders of our Group who are parties acting in concert and are of Chinese nationality, will indirectly hold an aggregate of 75.0% (assuming the Over-allotment Option will not be exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) or 72.3% (assuming the Over-allotment Option will be exercised in full and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) of the issued share capital of our Company upon completion of the Capitalisation Issue and the Global Offering; (ii) our Company through Dongguan Ruixing exercises effective control over our Consolidated Affiliated Entities pursuant to the Contractual Arrangements and each of Mr. Liu and Ms. Li is of Chinese nationality, our PRC Legal Adviser is of the view that we can apply for the recognition of the Contractual Arrangements as domestic investment and it is likely that the Contractual Arrangements will be considered as legal.

Measures to maintain control over and receive economic benefits from our Consolidated Affiliated Entities

To ensure the Contractual Arrangements to remain a domestic investment so that our Group can maintain control over our Consolidated Affiliated Entities and receive all economic benefits derived from our Consolidated Affiliated Entities, Mr. Liu and Ms. Li entered into a deed of undertaking dated 3 January 2017 (the "**Deed of Undertaking**") in favour of our Company, pursuant to which during the subsistence of the Contractual Arrangements, each of Mr. Liu and Ms. Li will use his/her best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of our Consolidated Affiliated Entities as a result of any impact due to the promulgation and implementation of the Draft Foreign Investment Law and other future laws and regulations, including without limitation:

- (i) Mr. Liu and Ms. Li will continue to maintain their Chinese nationality and citizenship;
- (ii) Mr. Liu and Ms. Li will remain as beneficial owners of an aggregate of not less than 50% voting rights of our Company and otherwise maintain control for the purposes of the relevant foreign investment laws and related laws applicable to our Group in relation to domestic investment when they become effective; and
- (iii) Mr. Liu and Ms. Li will obtain prior written consent of our Company as to the identity of the transferee(s) before he/she disposes of or transfers any of the interest in our Company that he/she beneficially owns. The transferee(s) (the "**Transferee(s)**") shall be PRC entity(ies) and/or citizen(s), who alone or together as parties acting in concert (where applicable) will be "ultimate controlling person(s)" as defined under the Draft Foreign

CONTRACTUAL ARRANGEMENTS

Investment Law and hold not less than 50% voting rights of our Company, and the Transferee(s) shall give an undertaking to our Company with similar effect to the undertaking. Prior to any such disposal, transfer or other transactions which may result in Mr. Liu and Ms. Li together ceasing to have control of our Company for the purposes of the relevant foreign investment laws, either Mr. Liu or Ms. Li (as the case may be) shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Contractual Arrangements will remain a domestic investment for the purpose of the relevant foreign investment laws and related laws applicable to our Group in relation to domestic investment.

The Deed of Undertaking shall become effective from the date of the listing of our Shares on the Stock Exchange and shall remain effective until (i) Mr. Liu and Ms. Li together ceasing to have control of our Company for the purposes of the relevant foreign investment laws and related laws applicable to our Group in relation to domestic investment when they become effective; (ii) compliance with the relevant requirements under the new Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this; (iii) compliance with the undertaking is no longer required, as advised by the Stock Exchange, or (iv) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination. To the extent that only part of the undertaking is no longer required as a result of any of the events in (ii), (iii) or (iv) above occurring, only such part of the undertaking that is no longer required shall cease to be effective.

To the extent that the Deed of Undertaking (or any part thereof) is no longer effective, our Company will issue an announcement as soon as practicable. Our Company has agreed with the Stock Exchange to enforce the Deed of Undertaking.

Taking into account that Mr. Liu and Ms. Li can only transfer his/her interests in our Company to PRC entity(ies) and/or citizen(s) and any subsequent transferees of Mr. Liu and Ms. Li (as well as their respective transferees) will be required to give an undertaking to our Company with similar effect to the Undertaking, our Directors believe that such arrangement will ensure that not less than 50% voting rights of our Company will at all times be held by PRC entity(ies) and/or citizen(s). Furthermore, as mentioned in the paragraph headed “– Draft Foreign Investment Law” above, based on the definition of the term “control”, although 50% or more of the equity or other forms of interests is not the only circumstance where a person will be deemed as the ultimate control person, it will significantly reduce the uncertainty when carrying out the “control” test under the Draft Foreign Investment Law.

Furthermore, the following control arrangements will be in place to ensure the compliance of the Deed of Undertaking after Listing:

- (a) the Shares held by the ultimate control persons who are PRC entity(ies) and/or citizen(s) which shall account for not less than 50% of the issued share capital of our Company, namely, the Shares held by Mr. Liu (through Bright Education Holdings) and Ms. Li (through Bright Education Investment) upon Listing and the Shares held by the subsequent Transferee(s) will not be deposited into CCASS but will be held in the form of physical certificates; and
- (b) we have instructed our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, not to register any subscription, purchase and transfer of Shares unless and until our Company is satisfied that the same will not result in any breach of the Deed of Undertaking.

CONTRACTUAL ARRANGEMENTS

We consider that with the assistance of our Hong Kong Share Registrar, it is unlikely that the Deed of Undertaking will be breached resulting in the shareholding ultimately controlled by PRC entity(ies) and/or citizen(s) to fall below 50%. If for whatever reason that the Deed of Undertaking is breached, our Company as well as other interested parties such as public shareholders through our Company can claim against the defaulting entities for remedies including, without limitation, injunctive actions for rescission of the transfers in breach of the Deed of Undertaking to the extent available. We are therefore of the view that the Deed of Undertaking together with the abovementioned arrangements are sufficient to ensure that the ultimate control by PRC entity(ies) and/or citizen(s) is maintained.

Based on the view of our PRC Legal Adviser and the Deed of Undertaking given by Mr. Liu and Ms. Li, our Directors are of the view that (i) the Contractual Arrangements are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can continue to maintain control over our Consolidated Affiliated Entities and receive all economic benefits derived from our Consolidated Affiliated Entities, through the provision of services by Dongguan Ruixing to our Consolidated Affiliated Entities.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the new Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. Please refer to the section headed “Risk Factors – Risks Relating to our Contractual Arrangements” in this prospectus.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual report to update the Shareholders and potential investors;
- (iv) our Directors undertake to provide periodic updates in our annual reports regarding the qualification requirement as stipulated under the section headed “Contractual Arrangements – Background of the Contractual Arrangements” and the latest development of the Draft Foreign Investment Law as disclosed under the section headed “Contractual Arrangements – 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 these qualification requirement; and
- (v) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Dongguan Ruixing and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

CONTRACTUAL ARRANGEMENTS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, Mr. Liu and Ms. Li, who are co-founders of our Group and are parties acting in concert, will be interested in and control indirectly, through Bright Education Holdings and Bright Education Investment respectively, in aggregate 75.0% of the issued share capital of our Company and will remain as our Controlling Shareholders under the Listing Rules. Accordingly, Mr. Liu, Ms. Li, Bright Education Holdings and Bright Education Investment are our Controlling Shareholders.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Delineation of Business and Non-competition

Other than his interests in our Group, as confirmed by Mr. Liu, Mr. Liu also holds direct or indirect interests in other companies engaged in other businesses in the PRC including real estate, construction, hotel management and tourism.

Further, Mr. Liu, through Dongguan Andres, held interests in eight kindergartens in the PRC as at the Latest Practicable Date. We did not include the business of these kindergartens in our Group primarily because (i) being an education group providing private education at primary, middle and high school levels, we were not engaged in, and had no intention to engage in, the operation of kindergartens as at the Latest Practicable Date; and (ii) the operation of kindergartens involves resources and personnel substantially different from the operation of the schools operated by our Group. Our Directors are of the view that the business activities of these kindergartens are clearly delineated from those of our Group and the potential competition between these kindergartens and our Group is minimal, taking into account that (i) the students at the kindergartens in which Dongguan Andres is interested and the primary, middle and high school operated by our Group are in distinct age groups; and (ii) our Controlling Shareholders including Mr. Liu have executed the Deed of Non-competition in favour of our Company, details of which are set out in the paragraph headed “Non-compete Undertaking” below.

Accordingly and based on the confirmation by Mr. Liu, our Directors are of the view that the business activities of Dongguan Andres and other companies in which Mr. Liu has a direct or indirect interest (other than our Group) are clearly delineated from and are not directly or indirectly in competition with those carried on by our Group.

Other than her interests in our Group, as confirmed by Ms. Li, Ms. Li also holds direct or indirectly interests in other companies, none of which is engaged in any education business activities in the PRC.

Accordingly and based on the confirmation by Ms. Li, our Directors are of the view that the business activities of the companies in which Ms. Li has a direct or indirect interest (other than our Group) are clearly delineated from and are not directly or indirectly in competition with those carried by out by our Group.

None of our Controlling Shareholders and their respective close associates has any interest in a business, other than our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business.

Management Independence

Although each of Mr. Liu and Ms. Li is also a director of Bright Education Holdings and Bright Education Investment respectively, each of Bright Education Holdings and Bright Education Investment is an investment holding company and other than the interest in our Company, it does not have any other business. Therefore the time required for Mr. Liu and Ms. Li to attend to the affairs

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

of Bright Education Holdings and Bright Education Investment is limited. Further, the day-to-day management of our business is primarily rested with our Board as well as other members of our senior management team referred to in “Directors and Senior Management – Senior Management”. We consider that our Board and other members of our senior management team will function independently from our controlling shareholder because:

- each Director is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- none of our non-director senior management team holds any position in Bright Education Holdings and Bright Education Investment; and
- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. We do not rely on our Controlling Shareholders for our business development, staffing or marketing and sales activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and an independent management team to handle our day-to-day operations. We do not rely on our Controlling Shareholders for any relevant material licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

During the Track Record Period, we conducted certain related party transactions in relation to the purchase of goods and hospitality expenses. Please see “Financial Information – Related Party Transactions and Balances” for details. We expect to discontinue such related party transactions prior to Listing. During the Track Record Period, we also incurred certain construction expenses to related parties. We engaged Dongguan Chinese Real Estate in the construction of schools and may continue doing so after the Listing. Please see “Connected Transaction – One-off Transactions with Dongguan Chinese Real Estate” for further details.

Our Directors are of the view that considering that alternative construction contractors are generally available in the market, there is no operational dependence by us on our Controlling Shareholders in relation to the construction services provided by Dongguan Chinese Real Estate.

Financial Independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective. As of the Latest Practicable Date, Ms. Li, Mr. Liu and related parties have provided guarantees and mortgages for the loans we borrowed, the outstanding amount of which was approximately RMB11.5 million in aggregate. All the aforesaid guarantees and mortgages will be fully released upon Listing. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, all the amount due to and from related parties where were non-trade in nature had been fully settled.

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying its business independently of our Controlling Shareholders and their respective close associates after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETE UNDERTAKING

Our Controlling Shareholders have executed the Deed of Non-competition dated 3 January 2017 in favour of our Company. Pursuant to the Deed of Non-competition, our Controlling Shareholders have jointly and severally, unconditionally and irrevocably undertaken that they will not, and will use their reasonable endeavours to procure that their respective close associates will not, other than through their interests in the Group, directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any business which competes or is likely to compete with any of the existing and/or future businesses carried on by any member of our Group in relation to the provision of primary, middle and high school educational services (the “**Restricted Business**”).

Notwithstanding the foregoing, each Controlling Shareholder and his/her/its close associates may conduct any of the following:

- carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the opportunity to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has first been offered or made available to our Company, and our Company, after decision by our independent non-executive Directors and approval by our Board and, where required, Shareholders pursuant to the relevant laws and regulations (including but not limited to the Listing Rules), has declined such opportunity, provided that the principal terms by which any of our Controlling Shareholders or any of their respective close associates subsequently engages, invests, participates or otherwise is interested in such Restricted Business are not more favourable in any material aspect than those offered or made available to our Company;
- in aggregate, have interests in shares or other securities representing not more than 10% of a company (other than our Company) conducting any Restricted Business whose shares are listed on the Stock Exchange or any other stock exchange provided that none of the relevant Controlling Shareholder and his/her/its close associates is/are (together or alone) in a position to control the board of directors of such company and that none of the relevant Controlling Shareholder and his/her/its close associates is/are (together or alone) the single largest shareholder of such company; and
- in aggregate, have interests in the shares or other securities of a company (other than our Company) which is listed on the Stock Exchange or any other stock exchange provided that any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts.

Pursuant to the Deed of Non-competition, the deed shall take effect from the date on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchanges; and shall be terminated upon the earlier of the day on which (a) our Controlling Shareholders and/or their respective close associates in aggregate cease to hold 30% or more of our Company’s entire issued share capital or otherwise cease to be our Controlling Shareholders; or (b) our Shares cease to be listed and traded on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to consider new business opportunities referred to us, to manage any potential conflicts of interest arising from any future potential competing business of our controlling shareholder and to safeguard the interests of our Shareholders:

- Our independent non-executive Directors will review, at least on an annual basis, the compliance with the terms of the Deed of Non-competition by our Controlling Shareholders and the enforcement of the Deed of Non-competition.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- Our independent non-executive Directors who do not have a material interest will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Directors participate in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new business opportunity referred to us under the terms of the non-compete undertakings.
- Our independent non-executive Directors may employ an independent financial adviser as they consider necessary to advise them on the terms of any new business opportunity.
- Each of our Controlling Shareholders has undertaken to us to provide all information necessary or desirable for the annual review by our independent non-executive Directors of the compliance with, and the enforcement of, the non-compete undertakings.
- We will disclose the review by our independent non-Executive Directors relating to the compliance with, and the enforcement of, the non-compete undertakings in our annual report.
- Our Controlling Shareholders will make an annual declaration of their compliance with the non-compete undertakings in our annual reports.

In the event that our Company decides not to proceed with any business opportunities referred to us and that our Controlling Shareholders or any of their respective close associates decides to proceed with such business opportunity, we will disclose such decision in our annual reports to Shareholders setting out the basis for us not taking the business opportunity.

CONNECTED TRANSACTIONS

OVERVIEW

Our Group has entered into certain agreements with persons and entities that will, upon Listing, become our Company's connected persons (as defined under Chapter 14A of the Listing Rules). Transactions under three of such agreements are one-off transactions in respect of the constructions of three of our schools, namely Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School, respectively, and all relevant constructions were on-going as at the Latest Practicable Date. Given these three agreements were entered into prior to Listing and the transactions thereunder are one-off in nature, these transactions (including further payments to be made by us pursuant to the terms of the relevant agreements) will not be classified as notifiable transactions under Chapter 14 of the Listing Rules or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Transactions contemplated under the remaining agreements are related to the Contractual Arrangements, and will continue and constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules following Listing.

ONE-OFF TRANSACTIONS WITH DONGGUAN CHINESE REAL ESTATE

Construction of schools

Principal terms

We have entered into individual construction agreements with Dongguan Chinese Real Estate for the construction projects for the Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School (all relevant constructions were on-going as at the Latest Practicable Date), the respective salient terms of which are set out as follows:

Individual construction agreement for Weifang Guangzheng Preparatory School

Date	30 March 2016
Parties	Guangdong Guangzheng and Dongguan Chinese Real Estate
Construction scope	The scope of construction includes an eastern school gate, an arts building, primary school classroom buildings, primary school dormitories, secondary school dormitories, a stadium, and secondary school classroom buildings, etc. The final scope shall be subject to the Planning Permit for Construction Work.
Construction area	The total construction area of the project is approximately 108,298 sq.m. (including both above-ground and underground works), subject to the Planning Permit for Construction Work.
Construction fees	<p>Based on preliminary estimate, the amount of the construction fee would be approximately RMB250 million.</p> <p>The parties agree that Guangdong Guangzheng shall pay the construction fee by instalments as follows:</p> <ol style="list-style-type: none">1. RMB200 million within 5 working days from the date on which all conditions for commencement of work have been satisfied;2. RMB30 million shall be paid within 5 working days from the date on which the construction of the external structure of the buildings has been completed;

CONNECTED TRANSACTIONS

3. RMB20 million shall be paid within 5 working days from the date of final acceptance and fire inspections of the entire project; and
4. any outstanding amount shall be paid or any extra amount paid shall be refunded, within 15 working days from the date of the completion of the construction.

Within 15 working days from the date of the completion of the construction, Dongguan Chinese Real Estate shall provide Guangdong Guangzheng with the total construction fee of the project for its audit within the next 20 working days. If the parties cannot agree on the total construction fee, an auditor appointed by Guangdong Guangzheng shall be engaged to perform an audit.

Management fee	12% (inclusive of tax) of the total construction fee of the project shall be payable to Dongguan Chinese Real Estate as management fee.
Construction permits	Dongguan Chinese Real Estate shall be responsible for the application of construction work planning permits, construction work commencement permits and other permits required for the project.
Work commencement date	Dongguan Chinese Real Estate shall commence construction work within 10 working days from the notice to be issued by Guangdong Guangzheng.
Delivery	Dongguan Chinese Real Estate shall be responsible for the passing of the final inspections and fire inspections of the completed construction work within one year from the signing of the agreement, and shall deliver the completed project to Guangdong Guangzheng no later than 30 June 2017.

Individual construction agreement for Guang'an Guangzheng Preparatory School

Date	30 May 2016
Parties	Guangdong Guangzheng and Dongguan Chinese Real Estate
Construction scope	The scope of construction includes classroom buildings, students' living quarters, teachers' apartments, cafeterias, an arts building, and a stadium, etc. The final scope shall be subject to the Planning Permit for Construction Work.
Construction area	The total construction area of the project is approximately 170,000 sq.m. (including both above-ground and underground works), subject to the Planning Permit for Construction Work.

CONNECTED TRANSACTIONS

Construction fees	<p>Based on preliminary estimate, the amount of the construction fee would be approximately RMB340 million.</p> <p>The parties agree that Guangdong Guangzheng shall pay the construction fee by instalments as follows:</p> <ol style="list-style-type: none">1. RMB170 million within 5 working days from the date on which all conditions for commencement of work have been satisfied;2. not more than RMB50 million shall be paid within 180 days from the date of commencement of construction work;3. RMB40 million shall be paid within 5 working days from the date on which the construction of the external structure of the buildings has been completed;4. RMB40 million shall be paid within 5 working days from the date of final acceptance and fire inspections of the entire project; and5. any outstanding amount shall be paid or any extra amount paid shall be refunded, within 15 working days from the date of the completion of the construction. <p>Within 15 working days from the date of the completion of the construction, Dongguan Cinese Real Estate shall provide Guangdong Guangzheng with the total construction fee of the project for its audit within the next 20 working days. If the parties cannot agree on the total construction fee, an auditor appointed by Guangdong Guangzheng shall be engaged to perform an audit.</p>
Management fee	<p>12% (inclusive of tax) of the total construction fee of the project shall be payable to Dongguan Cinese Real Estate as management fee.</p>
Construction permits	<p>Dongguan Cinese Real Estate shall be responsible for the application of construction work planning permits, construction work commencement permits and other permits required for the project.</p>
Work commencement date	<p>Dongguan Cinese Real Estate shall commence construction work within 10 working days from the notice to be issued by Guangdong Guangzheng.</p>
Delivery	<p>Dongguan Cinese Real Estate shall be responsible for the passing of the final inspections and fire inspections of the completed construction work within one year from the signing of the agreement, and shall deliver the completed project to Guangdong Guangzheng no later than 31 August 2017.</p>

CONNECTED TRANSACTIONS

Individual construction agreement for Yunfu Guangzheng Preparatory School

Date	20 December 2016
Parties	Guangdong Guangzheng and Dongguan Chinese Real Estate
Construction scope	The scope of construction includes classroom buildings, students' dormitories, teachers' apartments, Cafeteria and arts building and a stadium, etc. The final scope shall be subject to the Planning Permit for Construction Work.
Construction area	The total construction area of the project is approximately 200,000 sq.m. (including both above-ground and underground works), subject to the Planning Permit for Construction Work.
Construction fees	<p>Based on preliminary estimate, the amount of the construction fee would be approximately RMB250-300 million.</p> <p>The parties agree that Guangdong Guangzheng shall pay the construction fee by instalments as follows:</p> <ol style="list-style-type: none">1. RMB50 million shall be paid within 30 working days from the date of the agreement;2. RMB100 million shall be paid within 180 days after the commencement of the construction work;3. RMB50 million shall be paid within 30 working days from the date on which the construction of the external structure of the buildings has been completed;4. RMB50 million shall be paid within 30 working days from the date of final acceptance and fire inspections of the entire project; and5. any outstanding amount shall be paid or any extra amount paid shall be refunded, within 30 working days from the date of the completion of the construction. <p>Within 30 working days from the date of the completion of the construction, Dongguan Chinese Real Estate shall provide Guangdong Guangzheng with the total construction fee of the project for its audit within the next 20 working days. If the parties cannot agree on the total construction fee, an auditor appointed by Guangdong Guangzheng shall be engaged to perform an audit.</p>
Management fee	up to 12% (inclusive of tax) of the total construction fee of the project shall be payable to Dongguan Chinese Real Estate as management fee.

CONNECTED TRANSACTIONS

Construction permits	Dongguan Cinese Real Estate shall be responsible for the application of construction work planning permits, construction work commencement permits and other permits required for the project.
Work commencement date	Dongguan Cinese Real Estate shall commence construction work within 10 working days from the notice to be issued by Guangdong Guangzheng.
Delivery	Dongguan Cinese Real Estate shall be responsible for the passing of the final inspections and fire inspections of the completed construction work within two years from the signing of the agreement, and shall deliver the completed project to Guangdong Guangzheng no later than 31 August 2018.

Reasons for the transactions

In view of our plan for development of new schools as detailed in the section headed “Business – Development of New Schools” in this prospectus, our Group needs to engage contractors for the construction of new schools from time to time. In the past, Dongguan Cinese Real Estate has provided to us with certain construction project management advice, such as in relation to the selection of contractors, for the constructions of Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School on a gratuitous basis. Taking into account (i) our strategy to focus our resources on education business; (ii) we may not have extra resources to manage the construction projects for our new schools, including Weifang Guangzheng Preparatory School, Guang’an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School; (iii) Dongguan Cinese Real Estate’s experience and reputation in property development and construction and its track record in providing certain construction project management advice to our schools, particularly its reliability in delivering completed properties in a timely manner, ability to select appropriate sub-contractors and manage them effectively, and in depth understanding of our Group’s needs as a school operator, we have engaged Dongguan Cinese Real Estate for the construction of Weifang Guangzheng Preparatory School, Guang’an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School in accordance with the terms of the respective individual construction agreements. In addition to the factors set out above, we also place emphasis on whether a contractor (i) is reliable in delivering completed properties in a timely manner, which is of particular importance to any new school given the strict timetable in commencing each school year in early September, and in case of any substantial delay, the new school concerned may not be able to commence operation as contemplated which may adversely affect the students as well as the financial position of our Group; and (ii) is able to select appropriate sub-contractors and manage them effectively. Regarding the time required for the construction of schools, our Group generally expects a shorter time from the initial planning up to the expected school commencement date. Unlike the construction of typical residential or commercial properties, we believe that the construction of a school is a relatively customized project which requires, for the reasons set out above, a strict discipline on completion time, and also an in-depth understanding of the needs of school operators. Having taken into account Dongguan Cinese Real Estate’s experience and reputation in property development and construction and its track record in providing construction project management advice to our Group, and that it is indirectly wholly-owned by Mr. Liu, who has an in-depth understanding of our Group’s needs as a school operator, we consider that Dongguan Cinese Real Estate should be a reliable and competent main contractor which satisfies the criteria set out above.

CONNECTED TRANSACTIONS

Pricing and payments

The parties agreed on an estimated construction fee for the construction project for each of the Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School under the respective individual construction agreements, which form the basis of the payment schedule for our Group in relation to the construction projects. After completion of the constructions, Dongguan Chinese Real Estate shall calculate and submit the construction fee incurred for the construction project for review and audit by our Group. In the event that the construction fee proposed by Dongguan Chinese Real Estate is not agreed by our Group, an auditor to be appointed by our Group shall audit the proposed construction fee. Apart from the construction fee, a management fee calculated based on a certain percentage of the total construction fee will also be payable by our Group to Dongguan Chinese Real Estate. In connection with the percentage of the management fee, we have engaged an independent business consulting firm to provide high-level analysis on the percentage of management fee based on, among other things, applicable regulations and guidances on transfer pricing, as well as selected market comparables. The independent business consulting firm has advised that the interquartile range of the weighted average gross margin percentages of the selected market comparable listed companies ranges from 8.5% to 17.3%, with a median of 14.1%. The management fees under all individual construction agreements entered into are lower than 14% of the respective construction fees.

According to the individual construction agreements, the estimated construction and management fees for Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School are expected to be approximately RMB280 million, RMB380.8 million and RMB280-336 million respectively. As at 31 December 2016, we have made prepayments to Dongguan Chinese Real Estate in the aggregate amount of RMB220 million, which was attributable to the construction of Guang'an Guangzheng Preparatory School of RMB170 million and Yunfu Guangzheng Preparatory School of RMB50 million. Prepayments are usually requested by contractors under construction agreements for them to commence the process of engaging sub-contractors for the construction. The prepayment of RMB220 million attributable to these schools represents 50% of the aggregate construction fees under the relevant individual construction agreements of RMB590 million, which prepayment is expected to be fully utilized in the financial year ending 31 August 2017, as these schools are expected to commence operation in September 2017.

Listing Rules implications

Dongguan Chinese Real Estate is indirectly wholly-owned by Mr. Liu, an executive Director, chairman of the Board and one of our Controlling Shareholders, and is therefore an associate of Mr. Liu. Thus, Dongguan Chinese Real Estate will become our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules upon Listing. Although the constructions of Weifang Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School and Yunfu Guangzheng Preparatory School were on-going as at the Latest Practicable Date, and we expect to make further payments to Dongguan Chinese Real Estate after Listing pursuant to the terms of the individual construction agreements, given the individual construction agreements were entered into prior to Listing and the transactions thereunder are one-off in nature, these transactions (including further payments to be made by us pursuant to the terms of the individual construction agreements) will not be classified as notifiable transactions under Chapter 14 of the Listing Rules or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions of any of such individual construction agreements (including where the actual fee to be incurred under any of such agreements exceeds the fee estimate as disclosed in this prospectus), we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) in respect of such agreement (as amended) as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effecting such changes. Following Listing, we may enter into further construction agreements to engage Dongguan Chinese Real Estate for the constructions of new schools or the expansion of existing schools from time to time. In such event, we shall also comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements” in this prospectus, due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct our business in China through our Consolidated Affiliated Entities. We do not hold any equity interests in our Consolidated Affiliated Entities, which are beneficially owned by Ms. Li as to 38% and Mr. Liu as to 62%. Through a series of contractual arrangements (the “**Contractual Arrangements**”), we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among us, Dongguan Ruixing, our Consolidated Affiliated Entities and shareholders of our Consolidated Affiliated Entities enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by Dongguan Ruixing; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

The Contractual Arrangements include: (a) the Exclusive Management Consultancy and Business Cooperation Agreement, (b) the Exclusive Call Option Agreement, (c) the Equity Pledge Agreement, (d) the Powers of Attorney, (e) the Loan Agreement and (f) the SP Liu Spouse’s Undertaking (terms are defined in the section headed “Contractual Arrangements” in this prospectus). Please refer to the section headed “Contractual Arrangements” in this prospectus for detailed terms of these documents.

Listing Rules implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationships
Mr. Liu	Mr. Liu is an executive Director, chairman of the Board and one of our Controlling Shareholders and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
Ms. Li	Ms. Li is our chief executive officer, an executive Director and one of our Controlling Shareholders and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules.
Mr. SP Liu	Mr. SP Liu is the father of Mr. Liu and is therefore an associate of Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(2)(a) of the Listing Rules.
Guangdong Guangzheng	Guangdong Guangzheng is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Dongguan Wenhui	Dongguan Wenhui is a wholly-owned subsidiary of Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.

CONNECTED TRANSACTIONS

Name	Connected relationships
Guang'an Guangzheng	Guang'an Guangzheng is a wholly-owned subsidiary of Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Huizhou Guangzheng	Huizhou Guangzheng is a wholly-owned subsidiary of Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Panjin Guangzheng	Panjin Guangzheng is a wholly-owned subsidiary of Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Weifang Guangzheng	Weifang Guangzheng is a wholly-owned subsidiary of Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Yunfu Guangzheng	Yunfu Guangzheng is a non-wholly owned subsidiary of Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Dongguan Guangming School	Dongguan Guangming School is wholly-owned by Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Dongguan Guangming Primary School	Dongguan Guangming Primary School is wholly-owned by Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.

CONNECTED TRANSACTIONS

Name	Connected relationships
Dongguan Guangzheng Preparatory School	Dongguan Guangzheng Preparatory School is wholly-owned by Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and is therefore an associate of Ms. Li and Mr. Liu and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Huizhou Guangzheng Preparatory School	Huizhou Guangzheng Preparatory School is, via Huizhou Guangzheng, indirectly wholly-owned by Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Panjin Guangzheng Preparatory School	Panjin Guangzheng Preparatory School is, via Panjin Guangzheng, indirectly wholly-owned by Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.
Weifang Guangzheng Preparatory School	Weifang Guangzheng Preparatory School is directly wholly-owned by Guangdong Guangzheng, which is beneficially owned as to 38% by Ms. Li and 62% by Mr. Liu, and is therefore an associate of Ms. Li and Mr. Liu and our connected person pursuant to Rules 14A.07(4) and 14A.12(1)(c) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our 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 Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

CONNECTED TRANSACTIONS

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements 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 Contractual Arrangements will be made without the approval of the independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our 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 entire equity interests in our Consolidated Affiliated Entities for nil consideration or 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 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 Dongguan Ruixing by our Consolidated Affiliated Entities under the Exclusive Management Consultancy and Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has equity shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, such framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the independent Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new transactions, contracts and agreements entered into, renewed or reproduced between our Group and our 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 Contractual Arrangements 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 Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our 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 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 Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Each of our Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our 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.

Transactions among our Consolidated Affiliated Entities and our Company

Given that the financial results of our Consolidated Affiliated Entities will be consolidated into our financial results and the relationship between our Consolidated Affiliated Entities on the one hand, and our Company and our subsidiaries in which our Company has equity shareholding on the other hand, under the Contractual Arrangements, all agreements other than the Contractual Arrangements that have been or may in the future be entered into between any of our Consolidated Affiliated Entities on the one hand, and our Company or any of our subsidiaries in which our Company has direct or indirect equity shareholding on the other hand, will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

CONNECTED TRANSACTIONS

Confirmation from our Directors and Sole Sponsor

Our Directors (including the independent non-executive Directors) and the Sole Sponsor are of the view that the transactions contemplated under the Contractual Arrangements 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 and on normal commercial terms or better that 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 Contractual Arrangements 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 consolidate affiliated entities can be effectively controlled by Dongguan Ruixing or its designated third party, (ii) Dongguan Ruixing or its designated third party can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalisation Issue and the Global Offering:

Authorised Share Capital

<i>Number of Shares</i>	<i>Aggregate nominal value of Shares (HK\$)</i>
<u>10,000,000,000</u>	<u>100,000,000</u>

Issued Share Capital

Assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

<i>Number of Shares</i>	<i>Description of Shares</i>	<i>Aggregate nominal value of Shares (HK\$)</i>
78,000	Shares in issue as at the date of this prospectus	780
1,499,922,000	Shares to be issued under the Capitalisation Issue	14,999,220
500,000,000	Shares to be issued under the Global Offering (excluding any shares which may be issued under the Over-allotment Option)	5,000,000
<u>2,000,000,000</u>	Shares in total	<u>20,000,000</u>

SHARE CAPITAL

Assuming that 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 granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

<i>Number of Shares</i>	<i>Description of Shares</i>	<i>Aggregate nominal value of Shares (HK\$)</i>
78,000	Shares in issue as at the date of this prospectus	780
1,499,922,000	Shares to be issued under the Capitalisation Issue	14,999,220
575,000,000	Shares to be issued under the Global Offering and the Over-allotment Option	5,750,000
<u>2,075,000,000</u>	Shares in total	<u>20,750,000</u>

Pre-IPO Share Option Scheme and Share Option Scheme

As at the Latest Practicable Date, 8,000,000 share options to subscribe for an aggregate of 8,000,000 Shares were granted under the Pre-IPO Share Option Scheme and no share option has been granted under the Share Option Scheme. Please refer to the paragraph headed “D. Share Option Schemes” of Appendix V to this prospectus for further details of the Pre-IPO Share Option Scheme and the Share Option Scheme.

ASSUMPTIONS

The above tables assume that the Global Offering has become unconditional. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus except with respect to entitlements under the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

There are certain circumstances where annual meetings or extraordinary general meetings of our Company are required under our Articles and the Listing Rules. A general summary of such circumstances are set out below:

- an annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by our Board.

SHARE CAPITAL

- our Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company (the “**requisitionist**”) shall have the right, by written requisition to our Board or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit our Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme); and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in “– General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- 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 our Company’s next annual general meeting is required by the memorandum and articles of association of our Company or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Please refer to “A. Further Information about Our Group – 3. Resolutions of the Shareholders of Our Company” in Appendix V to this prospectus for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme).

SHARE CAPITAL

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “A. Further Information about Our Group – 5. Repurchase of Our Own Securities” in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- 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 our Company’s next annual general meeting is required by the memorandum and articles of association of our Company or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Please refer to “A. Further Information about Our Group – 3. Resolutions of the Shareholders of our Company” in Appendix V to this prospectus for further details of the Repurchase Mandate.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, the following persons are expected to have an interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares held or interested <i>(Note 1)</i>	Appropriate percentage of interest in our Company
Mr. Liu <i>(Note 2)</i>	Interest of controlled corporation <i>(Note 3)</i>	930,000,000	46.5
Bright Education Holdings	Beneficial owner <i>(Note 3)</i>	930,000,000	46.5
Ms. Li <i>(Note 2)</i>	Interest of controlled corporation <i>(Note 4)</i>	570,000,000	28.5
Bright Education Investment	Beneficial owner <i>(Note 4)</i>	570,000,000	28.5

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Liu and Ms. Li are co-founders of our Group and parties acting in concert with each other.
- (3) Mr. Liu holds the entire issued share capital of Bright Education Holdings and is therefore deemed to be interested in 930,000,000 Shares held by Bright Education Holdings.
- (4) Ms. Li holds the entire issued share capital of Bright Education Investment and is therefore deemed to be interested in 570,000,000 Shares held by Bright Education Investment.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of seven members, four of whom are executive Directors and three of whom are independent non-executive Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
LIU Xuebin (劉學斌)	44	Chairman of the Board and executive Director	October 2002	13 July 2010	Primarily responsible for the overall formulation, supervision and guidance of business strategies, planning and development of our Group
LI Suwen (李素文)	43	Executive Director and chief executive officer	October 2002	13 July 2010	Primarily responsible for the overall management and business development of our Group
LI Jiuchang (李久常)	37	Executive Director and chief operating officer	September 2003	7 June 2016	Primarily responsible for the overall management of the operation of our schools
NG Cheuk Him (吳卓謙)	41	Executive Director, chief financial officer and company secretary	September 2015	7 June 2016	Primarily responsible for the overall financial management and corporate governance of our Group
SUN Kai Lit Cliff (孫啟烈)	63	Independent non-executive Director	3 January 2017	3 January 2017	Primarily responsible for providing guidance and supervision regarding the business, operations and corporate governance of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
TAM King Ching Kenny (譚競正)	67	Independent non-executive Director	3 January 2017	3 January 2017	Primarily responsible for providing guidance and supervision regarding the business, operations and corporate governance of our Group
YAU Sze Ka (游思嘉)	44	Independent non-executive Director	3 January 2017	3 January 2017	Primarily responsible for providing guidance and supervision regarding the business, operations and corporate governance of our Group

Executive Directors

Mr. LIU Xuebin (劉學斌), aged 44, is the chairman of the Board and a co-founder of our Group. He was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. He is primarily responsible for the overall formulation, supervision and guidance of business strategies, planning and development of our Group. Out of his commitment in social responsibilities, Mr. Liu founded our Group by establishing Guangdong Guangzheng with Ms. Li in October 2002 and has acted as its director since then. Prior to joining our Group, since June 2002, Mr. Liu has acted as the chairman of Dongguan Chinese Real Estate, a property developer in the PRC, in overseeing its general management and operation.

In addition to our Group, Mr. Liu also holds direct or indirect interests in other companies engaged in other business in the PRC including real estate, construction, hotel and tourism.

Mr. Liu completed a graduate programme on project management from the Economics Department of Peking University in March 2004. Mr. Liu was awarded the World Outstanding Chinese Award (世界傑出華人獎) by United World Chinese Association Limited (世界華人協會) in 2007.

As at the Latest Practicable date, Mr. Liu was a director of Bright Education BVI, Bright Education HK, Dongguan Ruixing, Dongguan Yuexing, Shenzhen Youyue, Brighter Dewey Education Corporation and our Consolidated Affiliated Entities (except Dongguan Wenhui, Weifang Guangzheng and Yunfu Guangzheng).

Upon Listing, assuming that the Over-allotment Option is not exercised at all and without taking into account of any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme, Mr. Liu will be interested in 46.5% of the total issued share capital of our Company through Bright Education Holdings and will, together with our co-founder Ms. Li, be interested in an aggregate of 75.0% of the total issued share capital of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Ms. LI Suwen (李素文), aged 43, is the chief executive officer of our Company and a co-founder of our Group. She was appointed as a Director on 13 July 2010 and as an executive Director on 7 June 2016. She is primarily responsible for the overall management and business development of our Group. Ms. Li founded our Group in establishing Guangdong Guangzheng with Mr. Liu in October 2002. Prior to founding our Group, from August 1997 to July 2001, she worked as an assistant to the general manager, the secretary to the board of directors and an office director in a paper manufacturer in the PRC. Ms. Li completed a graduate programme on project management from the Economics Department of Peking University in March 2004.

Ms. Li has dedicated her career to the cause of education since the establishment in October 2002. She founded a number of educational institutions within our Group including Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

As at the Latest Practicable date, Ms. Li was (i) a director of Bright Education BVI, Bright Education HK, Brighter Dewey Education Corporation, Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School; (ii) a supervisor of Shenzhen Youyue and Panjin Guangzheng; and (iii) a general manager of Dongguan Ruixing and Dongguan Yuexing.

Upon Listing, assuming that the Over-allotment Option is not exercised at all and without taking into account of any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, Ms. Li will be interested in approximately 28.5% of the total issued share capital of our Company through Bright Education Investment and will, together with our co-founder Mr. Liu, be interested in an aggregate of approximately 75.0% of the total issued share capital of our Company.

Mr. LI Jiuchang (李久常), aged 37, is the chief operating officer of our Company. He was appointed as an executive Director on 7 June 2016 and is primarily responsible for the overall management of the operation of our schools.

Mr. Li has more than 12 years of experience in the educational sector. He joined Guangdong Guangzheng in September 2003 as a high school teacher. He has acted as the deputy general manager of Guangdong Guangzheng since September 2012, primarily responsible for the daily operation of the school, and the principal of Dongguan Guangzheng Preparatory School since September 2013.

As at the Latest Practicable Date, Mr. Li was also (i) a director of Dongguan Wenhui, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School and Weifang Guangzheng Preparatory School; and (ii) a supervisor of Dongguan Yuexing.

Mr. Li's dedication in education has been well recognised. He was awarded the Dongguan Outstanding Youth Volunteer (東莞市優秀青年志願者) by the Communist Youth League, Dongguan branch (共青團東莞市委) and Dongguan Young Volunteers Association (東莞市青年志願者協會) in April 2006. He was also appointed a core member of the Research Team for Project Studies under the Eleventh Five-Year Plan of the National Educational Science Programme of the MOE (全國教育科學“十一五”教育部規劃課題研究組) in October 2007 and an Advanced Practitioner in Project Studies of the MOE (教育部課題研究先進工作者) in November 2010.

Mr. Li obtained a bachelor's degree in history from the Shaanxi Normal University (陝西師範大學), China in July 2003.

DIRECTORS AND SENIOR MANAGEMENT

Mr. NG Cheuk Him (吳卓謙), aged 41, is the chief financial officer and company secretary of our Company. He was appointed as an executive Director on 7 June 2016 and is primarily responsible for overall financial management and corporate governance of our Group.

Mr. Ng has over 15 years of experience in accounting and auditing, corporate financial management, investment and mergers and acquisitions, and he worked with companies listed on the Main Board as well as an international investment bank. Mr. Ng joined our Group in September 2015.

Prior to joining our Group, Mr. Ng worked served as the senior financial manager in China Ting Group Holding Limited, a company listed on the Main Board (stock code: 3398) principally engaged in manufacturing and retailing of garment from August 2005 to April 2007. From June 2007 to January 2009, he worked at BNP Paribas Capital (Asia Pacific) Limited, a corporate finance advisory firm, and he was mainly responsible for advising on investment and mergers and acquisitions. From April 2009 to August 2013, he acted as the chief financial officer and company secretary of China Sunshine Paper Holdings Company Limited, a company listed on the Main Board (stock code: 2002) and principally engaged in the production and sale of white top linerboard, light-coated linerboard and core board, and he was primarily responsible for its overall financial management and company secretarial affairs. From August 2013 to September 2015, he acted as the chief financial officer and a joint company secretary of Miko International Holdings Limited, a company listed on the Main Board (stock code: 1247) principally engaged in the manufacture and sale of children's apparel, and he was primarily responsible for its overall financial management and company secretarial affairs.

Mr. Ng obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in November 1997. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

For details of the share options granted to Mr. Ng under the Pre-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information – D. Share Option Schemes – 2. Outstanding share options under the Pre-IPO Share Option Scheme" of this prospectus.

Independent Non-Executive Directors

Mr. SUN Kai Lit Cliff (孫啟烈), aged 63, was appointed as an independent non-executive Director on 3 January 2017. Since August 2002, he has served as a co-founder and a non-executive director of China South City Holdings Limited, a company listed on the Main Board (stock code: 1668). Mr. Sun is an associate of the Institute of Industrial Engineers, Ohio and has over 30 years experience in the household products manufacturing industry. Since 1980, Mr. Sun has been the executive director of Kinox Enterprises Limited and Kin Hip Metal and Plastic Factory Ltd., both of which are principally engaged in the manufacturing of kitchenware and other metal and plastic products. Since June 2007, he has also acted as an independent non-executive director of Ka Shui International Holdings Ltd., a company listed on the Main Board (stock code: 0822) principally engaged in the manufacture of zinc, magnesium and aluminium alloy die casting, plastic injection products and components and lighting products. From July 2007 to March 2016, he also acted as an independent non-executive director of Ming Fai International Holdings Ltd., a company listed on the Main Board (stock code: 3828) principally engaged in the supply and manufacture of quality amenity products and accessories and distribution and retail of the cosmetics products and fashion accessories in the PRC.

He was appointed as Justice of the Peace by the Government of Hong Kong in July 2003, and was awarded a Bronze Bauhinia Star (BBS) by the Government of Hong Kong Special Administration Region in July 2006. He is currently a member of the 11th Zhejiang Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆浙江省委員會) and has served as a standing committee member of both the CPPCC Shenzhen and Ningbo committee. He is currently chairman of ICAC Business Ethics Development Advisory Committee (廉政公署商業道德諮詢委員會主席), President of Shenzhen CPPCC HK and Macau members Association (深圳市政協歷屆港澳委員聯誼會會長), President of Shenzhen Overseas China International Association (深圳市僑商國際

DIRECTORS AND SENIOR MANAGEMENT

聯合會會長), Mr. Sun holds a number of honorary posts due to his past services in the respective organizations which include Honorary President of the Federation of Hong Kong industries, Honorary Chairman of the Hong Kong Exporter's Association, Honorary Chairman of the Hong Kong Q Mark Council, and Hong Kong Plastics Manufacturers Association Ltd. Mr. Sun also involves himself in educational institutions and served in the Vocational Training Council as council member for 6 years until end of 2015 and is currently a board governor of Australian International School.

Mr. TAM King Ching Kenny (譚競正), aged 67, was appointed as an independent non-executive Director on 3 January 2017.

Mr. Tam has served as an independent non-executive director of each of the following eight companies listed on the Main Board: (i) Kingmaker Footwear Holdings Limited (stock code: 1170), a company principally engaged in the manufacture, trading and retailing of footwear, since May 1994; (ii) CCT Fortis Holdings Limited (stock code: 0138), a company principally engaged in property development and trading in Hong Kong and property investment, securities business, manufacture and sale of plastic components; investment in classic cars and provision of services for classic cars and sale and trading of classic cars, since December 1999; (iii) Shougang Concord Grand (Group) Limited (stock code: 0730), a company principally engaged in finance leasing and other financial services, property leasing and provision of building management services and assets management, since February 1996; (iv) Starlite Holdings Limited (stock code: 0403), a company principally engaged in printing and manufacturing of packaging materials, labels and paper products, including environmental friendly paper products, since July 2004; (v) Hong Kong Shanghai Alliance Holdings Limited (stock code: 1001), a company principally engaged in the stockholding and distribution of construction materials such as steel products, sanitary wares, kitchen cabinets and engineering plastics and steel recycling and property business, since September 2004; (vi) West China Cement Limited (stock code: 2233), a company principally engaged in the production and sale of cement in western China, since July 2010; (vii) BeijingWest Industries International Limited (stock code: 2339), a company principally engaged in manufacture and sale of automotive parts and components and the trading of automotive parts and components, since January 2014; (viii) CCT Land Holdings Limited (stock code: 261), a company principally engaged in the design and development, manufacture and sale of telecom, electronic and infant and baby products, trading and sale of child products, and property development in China, since February 2016. From September 2004 to February 2013, he also served as an independent non-executive director of a listed company North Asia Strategic Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8080) principally engaged in hi-technology distribution and services, mining consulting, finance leasing and investment holding.

Mr. Tam is a practising Certified Public Accountant in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. Mr. Tam is a member of the Small and Medium Practitioners Committee and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. He was also a president of The Society of Chinese Accountants and Auditors.

Mr. Tam received a bachelor's degree in commerce from the Concordia University Canada in November 1975.

Mr. YAU Sze Ka (游思嘉), aged 44, was appointed as an independent non-executive Director on 3 January 2017.

Mr. Yau has over 22 years of experience in capital markets, corporate management and real estates. He has successfully executed a wide range of transactions including initial public offerings, equity and bond fundraisings, syndicated loans, project financings, mergers and acquisitions and corporate restructuring.

Since June 2011, Mr. Yau has been the chief financial officer of CIFI Holdings (Group) Co. Ltd., a company listed on the Main Board (stock code: 884) principally engaged in property development and property investment in China.

DIRECTORS AND SENIOR MANAGEMENT

From December 2005 to June 2011, Mr. Yau was the director of corporate affairs of Lai Sun Garment (International) Limited, a company listed on the Main Board (stock code: 191) principally engaged in property investment and development in Hong Kong, China and overseas as well as investment in and operation of hotels and restaurants, where he was responsible for corporate finance, business development and investor relations. From January 2003 to December 2005, he was a director of DBS Asia Capital Limited, a company principally engaged in corporate finance and investment banking. From September 1999 to January 2003, he worked for ICEA Capital Limited, a company principally engaged in corporate finance and investment banking, and his last position held at such company was its executive director (investment banking division).

He graduated with a bachelor's degree of science from the University of California at Berkeley, the United States in May 1994. He is also a holder of Chartered Financial Analyst.

Please refer to “Statutory and General Information – C. Further Information about Our Directors – 1. Directors – (a) Disclosure of interest – Interests and Short Positions of Our Directors and the Chief Executives of Our Company in the Shares, Underlying Shares and Debentures of Our Company and Its Associated Corporations” in Appendix V to this prospectus for further details of the Directors’ interests in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed above in this section, each of our Directors has confirmed that he or she has not held any other directorships in any listed company during the three years immediately prior to the date of this prospectus, that there are no other matters relating to his or her appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
DENG Guoqing (鄧國清)	45	Deputy financial officer	July 2014	July 2014	Primarily responsible for the financial management and corporate governance of our Group
CHEN Xi (陳曦)	50	Principal of the middle school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School	August 2007	August 2012	Primarily responsible for overseeing the daily operations of the middle school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
DU Shuangxi (杜雙喜)	40	Principal of Dongguan Guangming Primary School, and principal of the primary school section of Dongguan Guangzheng Preparatory School	August 2006	July 2013	Primarily responsible for overseeing the daily operations of Dongguan Guangming Primary School
HE Shan (何山)	37	Executive vice principal of Panjin Guangzheng Preparatory School	July 2003	September 2014	Primarily responsible for overseeing the daily operations of Panjin Guangzheng Preparatory School
WANG Yongchun (王永春)	35	Principal of the high school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School	August 2003	September 2015	Primarily responsible for overseeing the daily operations of the high school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School
ZHANG Jingfeng (章競峰)	37	Executive vice principal of Huizhou Guangzheng Preparatory School	March 2006	July 2013	Primarily responsible for overseeing the daily operations of Huizhou Guangzheng Preparatory School

Mr. DENG Guoqing (鄧國清), aged 45, is the deputy financial officer of our Company. He was appointed to such position in July 2014 and is primarily responsible for assisting the chief financial officer in the financial management and corporate governance of our Group.

Mr. Deng has over 20 years of experience in accounting and financial management. He joined our Group in July 2014 as the deputy financial officer of our Company. Before joining our Group, Mr. Deng was the finance manager of the Cinese Group, a company controlled by Mr. Liu and principally engaged in the manufacture and sale of furniture, hotel management, real estate and tourism, between August 2007 and July 2014, mainly in charge of accounts management and financial operations.

Mr. Deng obtained a bachelor's degree in accounting from the Guangzhou Open University (廣州市廣播電視大學), China in July 1999. He obtained the professional qualification of accountancy issued by the Ministry of Finance of the PRC (國家財政部) in October 1994.

DIRECTORS AND SENIOR MANAGEMENT

Ms. CHEN Xi (陳曦), aged 50, is the principal of the middle school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School and she was appointed to such positions in August 2012 and July 2015 respectively. She is primarily responsible for overseeing the daily operations of the middle school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School.

Ms. Chen joined our Group in August 2007. Prior to the appointment to her present positions in our Group, she served on various positions in the following schools:

Period of time	Name of school	Major positions	Principal role
February 2013 to August 2015	Dongguan Guangming School	Principal	Overall management of the daily operations of Dongguan Guangming School
August 2007 to August 2015	Dongguan Guangming Primary School	Principal	Overall management of the daily operations of the primary school
August 1999 to August 2005	Dongguan Chang'an Central Primary School (東莞市長安鎮中心小學)	Vice principal	Overall management of the operation and education programme of the primary school
August 1997 to July 1999	Chang'an Jinxia Primary School (東莞市長安鎮錦廈小學)	Principal	Overall management of the daily operations of the primary school
August 1987 to July 1997	Chang'an Jinxia Primary School (東莞市長安鎮錦廈小學)	Teacher	Teaching in language education

Ms. Chen has received various awards relating to education, including the Green School Gardener Award (綠色學校園丁獎) jointly granted by the MOE and the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部, previously known as the State Environmental Protection Administration of China (中國國家環境保護總局)) in February 2003 and the first prize of a dissertation competition held by the Chinese Society of Education (中國教育學會) with her dissertation on educational management in May 2008.

Ms. Chen obtained a bachelor's degree of arts in education management from Guangdong University of Education (廣東第二師範學院) (previously known as Guangdong Institute of Education (廣東教育學院)) in July 2005. She also holds a degree in education from South China Normal University (華南師範大學), awarded in June 2000. Ms. Chen obtained the qualification of Primary School Senior Teacher in Language Education (小學語文高級教師) issued by the Dongguan Municipal Bureau of Personnel (東莞市人事局) in 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. DU Shuangxi (杜雙喜), aged 40, is the principal of each of Dongguan Guangming Primary School and the primary school section of Dongguan Guangzheng Preparatory School. He was appointed to such position in July 2015 and is primarily responsible for overseeing the daily operations of Dongguan Guangming Primary School.

Mr. Du joined our Group in August 2006. Prior to the appointment to his present position in our Group, he served on various positions in the following schools:

Period of time	Name of school	Major positions	Principal role
September 2012 to September 2013	Dongguan Guangming Primary School	Vice principal	Overall management of the daily operations of the primary school
August 2006 to September 2012	Dongguan Guangming Primary School	Teaching director	Management of teaching work at the primary school
August 2003 to July 2006	Hunan Linli Preparatory Primary School (湖南省臨澧縣實驗小學)	Principal	Overall management of the daily operations of the primary school
August 2002 to July 2003	Hunan Linli Baizhi Middle School (湖南省臨澧縣柏枝鄉中學)	Principal	Overall management of the daily operations of the middle school

In recognition of his contributions in education, Mr. Du was recognised as a Core Teacher in Chinese Language Education in Primary Schools of Hunan Province (湖南省小學語文骨幹教師) by the Department of Education of Hunan (湖南省教育廳) in December 2002, an Outstanding Individual in the Project Study for the Tenth Five-Year Plan of Educational Technology Development of Hunan Province (湖南省現代教育技術“十五”課題研究先進個人) by the E-education Centre of Hunan (湖南省電化教育館) and Hunan Education Technology Association (湖南省教育技術協會) in April 2006 and one of the Top 100 Leading Scholars of Primary and Middle Schools in China (全國中小學百佳學術研究帶頭人) by the Chinese Society of Primary and Middle School Education (中國中小學教育學會) in November 2010. Mr. Du also received various awards for his dissertations, including the first prize in a dissertation competition held by the National Education Association of Primary and Middle Schools in December 2010 for his case study on life education.

Mr. Du obtained a bachelor's degree in public administration from the Central China Normal University through distance learning in July 2003. Ms. Du obtained the qualification of Primary School Senior Teacher (小學高級教師) issued by the Education Office of Baizhi County (柏枝鄉教育辦) in September 1999.

Mr. HE Shan (何山), aged 37, is the executive vice principal of Panjin Guangzheng Preparatory School. He was appointed to such position in September 2014 and is primarily responsible for overseeing the daily operations of Panjin Guangzheng Preparatory School.

Mr. He joined our Group in July 2003. Prior to the appointment to his present position in our Group, he served on various positions in Dongguan Guangming School between July 2003 and August 2014, including class teacher, grade leader, human resources officer and assistant to the principal. From March to August 2014, he acted as an assistant to the general management of our Group, primarily responsible for the establishment of Panjin Guangzheng Preparatory School.

DIRECTORS AND SENIOR MANAGEMENT

Mr. He received various awards for his achievements in education, including the third prize for Guangdong Primary and Middle School Innovative Education Achievement Award (廣東省中小學教育創新成果獎) awarded by Guangdong Education Promotion Association (廣東省教育促進會) in December 2011. His study on reading education was also published on a university journal in the PRC in November 2012.

Mr. He obtained a bachelor's degree of arts in Chinese Language and Literature from Guangxi Normal University (廣西師範大學), China in 2003. He obtained the qualification of First Grade Middle School Teacher (中學一級教師) issued by the MOE in June 2003 and the qualification of Primary and Middle School Principals (中小學校長任職資格) issued by the Panjin Bureau of Education (盤錦市教育局) in September 2014.

Mr. WANG Yongchun (王永春), aged 35, is the principal of the high school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School and he was appointed to both positions in September 2015. He is primarily responsible for overseeing the daily operations of the high school section of each of Dongguan Guangming School and Dongguan Guangzheng Preparatory School.

Mr. Wang joined our Group in August 2003. Prior to the appointment to his present position in our Group, Mr. Wang served on various positions in our schools between August 2003 and August 2015, including the class teacher, grade leader, director of moral education and administrative officer. In particular, from September 2012 to August 2015, he acted as the vice principal of Dongguan Guangzheng Preparatory School.

In recognition of his contributions in education, Mr. Wang was recognised as an Outstanding Practitioner of Dongguan in the Middle School Education of Geography (東莞市優秀中學地理教育工作者) by the Geography Teaching Research Society of Dongguan (東莞市地理教學研究會) in June 2012 and an Outstanding Individual of Dongguan Schools for Communist Youth League Work (東莞市學校共青團工作優秀個人) for year 2009-2010 by the Dongguan Committee of the Communist Youth League (共青團東莞市委員會) and the Dongguan Education Bureau in March 2011. Mr. Wang also received various awards for his dissertations, including the First Prize in Dissertations on Geography Education in Middle Schools of Guangdong Province issued by the Geographical Society of Guangdong (廣東省地理學會) and the Middle School Geography Teaching Committee of the Guangdong Society of Education (廣東教育學會中學地理教學專業委員會) in June 2010.

Mr. Wang holds a bachelor's degree of science in 2003 from the Tourism and Environment College of Shaanxi Normal University (陝西師範大學旅遊與環境學院), China. He obtained various professional qualifications, including the qualification of First Grade Middle School Teacher in Geography Education (中學地理一級教師), Senior High School Teacher (高級中學教師) and Guangdong Province Primary and Middle School Principal (廣東省中小學校長).

Mr. ZHANG Jingfeng (章競峰), aged 37, is the executive vice principal of Huizhou Guangzheng Preparatory School. He was appointed to such position in July 2013 and is primarily responsible for overseeing the daily operations of the Huizhou Guangzheng Preparatory School.

He joined our Group in March 2006 as a language teacher at Dongguan Guangming School until March 2011. From March 2011 to August 2012, he served as the officer-in-charge of the supervision and guidance office of Guangdong Guangzheng. Between August 2012 and July 2013, he served as the vice principal of Dongguan Guangming School.

Mr. Zhang was awarded the second prize for Guangdong Innovative Education Achievement Award (廣東省教育創新成果獎) jointly by, among others, the Guangdong Education Promotion Association (廣東省教育促進會), the Guangdong Society of Education (廣東教育學會) and Guangdong Television Station in December 2014, and the first prize for the same award in December 2013.

Mr. Zhang obtained a bachelor's degree of arts in Chinese Language and Literature from Hubei University in 2001.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. NG Cheuk Him (吳卓謙) was appointed as the company secretary of our Company on 7 June 2016. His details are set out under the subsection headed “– Executive Directors” above.

DIRECTORS’ REMUNERATION

The aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to our Directors in respect of the financial years ended 31 August 2014, 31 August 2015 and 2016 were RMB315,000, RMB315,000 and RMB2,011,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 11 to the Accountants’ Report as set out in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

The five highest paid individuals of our Group for the financial years ended 31 August 2014, 2015 and 2016 included one, one and three Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended 31 August 2014, 2015 and 2016, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining four, four and two highest paid individuals who are neither a Director nor chief executive of our Group were RMB1.14 million, RMB1.35 million and RMB0.72 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

Audit Committee

We established an audit committee on 3 January 2017. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors. The audit committee is chaired by Mr. Tam King Ching Kenny and comprises Mr. Sun Kai Lit Cliff and Mr. Yau Sze Ka, each an independent non-executive Director.

Remuneration Committee

We established a remuneration committee on 3 January 2017. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remunerations of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to the Board on the specific remuneration packages of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. The remuneration committee is chaired by Mr. Sun Kai Lit Cliff (an independent non-executive Director) and comprises Mr. Yau Sze Ka (an independent non-executive Director) and Mr. Liu Xuebin (an executive Director).

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We established a nomination committee on 3 January 2017. The primary duties of the nomination committee are to make recommendations to our Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters. The nomination committee is chaired by Mr. Yau Sze Ka (an independent non-executive Director) and comprises Mr. Tam King Ching Kenny (an independent non-executive Director) and Ms. Li Suwen (an executive Director).

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement entered into between the Company and First Shanghai Capital Limited include the following:

- (a) First Shanghai Capital Limited is to be appointed by the Company as its compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date or on the date on which such agreement is terminated pursuant to the terms thereof, whichever is earlier; and
- (b) pursuant to Rule 3A.23 of the Listing Rules, the Company will consult with and, if necessary, seek advice from First Shanghai Capital Limited on a timely basis in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus; or
 - (iv) where the Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to “Business – Our Strategies” of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$936.9 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering), assuming the Over-allotment Option is not exercised at all and an Offer Price of HK\$1.99 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

1. approximately 65% (approximately HK\$609.0 million) to apply towards expansion of our school network, in particular, through the development of new schools as set out in the section headed “Business – Development of New Schools” of this prospectus;
2. approximately 8% (approximately HK\$75.0 million) to apply towards further expansion of three existing schools, namely Dongguan Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, and Panjin Guangzheng Preparatory School;
3. approximately 2% (approximately HK\$18.7 million) to apply towards the maintenance, renovation and upgrade of two existing schools, namely Dongguan Guangming School and Dongguan Guangming Primary School;
4. approximately 18% (approximately HK\$168.7 million) to apply towards the acquisition of schools to supplement our school network. We will consider various factors in selecting acquisition targets, including, among other things, the general socio-economic condition of the city in which a target school is located, the demand for premium private education in such city and its neighboring areas and the level of government support in promoting premium private education. We plan to open new schools using the premises and land acquired from the target schools. We do not intend to jointly operate such new schools with the relevant original school operators. We expect to be the sole sponsor of each of these new schools and have exclusive rights to operate each new school. As of the Latest Practicable Date, we had not identified any specific acquisition target or confirmed the number and type of schools to be acquired or the timeframe for incurring the acquisition expenditure;
5. approximately 2% (approximately HK\$18.7 million) to apply towards the provision of scholarships and subsidies to our students;
6. approximately 5% (approximately HK\$46.8 million) as working capital and general corporate purpose.

To the extent that our actual net proceeds from the Global Offering is higher than our estimate above, we intend to apply the additional amount to item 1 above. To the extent that our actual net proceeds from the Global Offering is lower than our estimate above, we intend to reduce the amount of net proceeds to be applied to item 4 above.

After deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds from them Global Offering of approximately HK\$1,077.5 million assuming the Offer Price is determined to be HK\$2.28 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK\$796.3 million, assuming the Offer Price is determined to be HK\$1.70 per Share, being the low-end of the indicative offer price range stated in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds of the Global Offering we receive are not immediately used for the above purposes, we may allocate part or all of the proceeds to short-term interest-bearing deposits or money-market instruments with licensed banks or authorised financial institutions in Hong Kong or the PRC.

We will issue announcement, where required, if there is any material change in the abovementioned use of proceeds.

UNDERWRITING

HONG KONG UNDERWRITERS

BNP Paribas Securities (Asia) Limited
BOCI Asia Limited
Citigroup Global Markets Asia Limited
CLSA Limited
CMB International Capital Limited
ABCI Securities Company Limited
CCB International Capital Limited
Haitong International Securities Company Limited
Ping An Securities Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 50,000,000 Hong Kong Offer Shares (subject to adjustment and re-allocation) for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to 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 prospectus, 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, on behalf of the Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, on behalf of the Underwriters, the Global Offering will not proceed.

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 oral or written notice to us from the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

UNDERWRITING

- (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 Hong Kong, the BVI, the Cayman Islands, Canada, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore 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 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), London, the PRC, the Cayman Islands, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of 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 listed or quoted on a stock exchange or an over-the-counter market; or
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, 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

UNDERWRITING

- (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group or any of the warrantors not specifically disclosed in this prospectus; or
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) an authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) 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
- (xiv) a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xv) 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; or
- (xvi) 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 without prior consent of the Sole Sponsor; or
- (xvii) an order or petition for the winding up of any member of the 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 opinion of the Sole Sponsor (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 our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (b) there has come to the notice of any 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 prospectus, 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 and 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
 - (iv) any material adverse change, or any development involving a material 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 any member of our Group; or
 - (v) 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
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or
 - (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalisation Issue 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 or 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 each of the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or 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 depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or 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, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, 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.

UNDERWRITING

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 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of the Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he/she/it will not, at any time during the First Six-month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or 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) he/she/it will not, during the period of six months commencing on the date on which the First Six-month Period expires, enter into any of the transactions specified in (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, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of period referred to in paragraph (b) above, in the event that it enters into any of the transactions specified in (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company,

UNDERWRITING

provided that nothing of the above shall prevent the Controlling Shareholders from using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of the Controlling Shareholders has agreed and undertaken that he/she/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 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Each of our Controlling Shareholders has further undertaken to each of the Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, he/she/it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending the date which is 12 months after the Listing Date:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by it/him/her for a bona fide commercial loan, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (b) upon any indication received by it/him/her, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Our Company has agreed and undertaken to the Sole Sponsor, the Joint Global Coordinators and each of the Hong Kong Underwriters, that, upon receiving such information in writing from any of the Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange and make an announcement in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, any time within six months from the Listing Date, issue any Shares or other securities into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (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 the circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he/she/it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

UNDERWRITING

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**Relevant First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (b) during the period of six months commencing on the date on which the Relevant First Six-month Period expires (the “**Relevant Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such options, rights, interests or encumbrances, he/she/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the Relevant Six-month Period and the Relevant Second Six-month Period, he/she/it will:

- (a) if he/she/it pledges or charges any of our securities beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately informs us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of his/her/its pledged or charged securities will be disposed of, immediately inform us of such indications.

We 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.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, 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 Offer Shares or procure subscribers or purchasers for the International Offer 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.

UNDERWRITING

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to sell up to an aggregate of 75,000,000 additional Shares, representing in aggregate of approximately 15% of the number of Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by us in proportion in relation to the new Shares to be issued in relation to the Global Offering. In addition, we may at our sole and absolute discretion pay any or all of the Joint Global Coordinators for its or their respective accounts an incentive fee of up to 1% of the Offer Price for each Hong Kong Offer Share underwritten by such Joint Global Coordinator(s).

Assuming an Offer Price of HK\$1.99 per Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the “**Commissions and Fees**”) are estimated to be approximately HK\$85.7 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 for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding in any member of our Company or any right (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 Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising 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

UNDERWRITING

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.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising 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.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, BNP Paribas, as Stabilising Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising 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 Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising 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.

UNDERWRITING

The Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (a) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Offer Shares;
- (b) in connection with any action described in paragraph (a) above:
 - (i) (1) over-allocate the Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;
 - (ii) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) above;
 - (iii) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or
 - (iv) offer or attempt to do anything as described in paragraph (b)(i)(2), (b)(ii) or (b)(iii) above.

The Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising 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 Stabilising 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.

Stabilisation cannot be used to support the price of the Offer Shares for longer than the stabilisation 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 stabilisation action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilising action taken by the Stabilising 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 stabilisation period. Stabilising bids or market purchases effected in the course of the stabilisation action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 75,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BNP Paribas is the Sole Sponsor of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 50,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “– The Hong Kong Public Offering”; and
- (ii) the International Offering of 450,000,000 Shares (subject to adjustment as mentioned below) outside the United States in accordance with Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed “– Pricing and Allocation”.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 19 January 2017 and in no event later than 24 January 2017. The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms.

Based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with our consent) may reduce the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on 19 January 2017, cause to be published in the 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.wisdomeducationintl.com a notice of the reduction in the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and us and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on 25 January 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website www.wisdomeducationintl.com.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (subject only to allotment and dispatch of the Share certificates in respect thereof and such other normal conditions acceptable to us and the Sole Sponsor, on behalf of the Hong Kong Underwriters) not later than 26 January 2017 (or such later date as we and the Sole Sponsor, on behalf of the Hong Kong Underwriters, may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by 24 January 2017 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on 25 January 2017 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on 26 January 2017, if (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in “Underwriting – Hong Kong Public Offering – Grounds for Termination” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

We are offering 50,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 500,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application for Hong Kong Offer Shares.

The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$2.28 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

For allocation only, the 50,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally (to the nearest board lot) into two pools: Pool A comprising 25,000,000 Hong Kong Offer Shares and Pool B comprising 25,000,000 Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 50,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 25,000,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 150,000,000, 200,000,000 and 250,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as “**Mandatory Reallocation.**” In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription under the International Offering will be 450,000,000 Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering.

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

STRUCTURE OF THE GLOBAL OFFERING

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by BNP Paribas (after consultation with the Joint Global Coordinators to the extent practicable) at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Company may be required to issue and allot up to 75,000,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

OVER-ALLOCATION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, BNP Paribas, as Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 75,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering. Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, 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 stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 75,000,000 Shares and cover such over-allocations by (among other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 26 January 2017, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on 26 January 2017.

The Shares will be traded in board lots of 2,000 each.

The Stock Exchange stock code for the Shares is 6068.

UNDERWRITING ARRANGEMENTS

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

We expect that we will, on or about 19 January 2017, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **white** or **yellow** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **white** or **yellow** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **white** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **yellow** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **white** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 16 January 2017 until 12:00 noon on Thursday, 19 January 2017 from:

- (a) any of the following offices of the Hong Kong Underwriters:

BNP Paribas Securities (Asia) Limited	59/F to 63/F Two International Finance Centre 8 Finance Street Central, Hong Kong
BOCI Asia Limited	26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
Citigroup Global Markets Asia Limited	50th Floor, Champion Tower Three Garden Road Central, Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
CMB International Capital Limited	Units 1803-4 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

**Haitong International Securities
Company Limited**

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

Ping An Securities Limited

Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong

Pacific Foundation Securities Limited

11/F, New World Tower Two
16-18 Queen's Road Central
Hong Kong

(b) any of the branches of the receiving banks:

Standard Chartered Bank (Hong Kong) Limited

Region	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
New Territories	Metroplaza Branch	Shop No. 175, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

HOW TO APPLY FOR HONG KONG OFFER SHARES

Wing Lung Bank Limited

Region	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 16 January 2017 until 12:00 noon on Thursday, 19 January 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **white** or **yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED – WISDOM 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:

Monday, 16 January 2017 – 9:00 a.m. to 5:00 p.m.
Tuesday, 17 January 2017 – 9:00 a.m. to 5:00 p.m.
Wednesday, 18 January 2017 – 9:00 a.m. to 5:00 p.m.
Thursday, 19 January 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 19 January 2017, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Applications Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO service, among other things, you:

- undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (h) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (p) 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;
- (q) 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;
- (r) (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
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **white** or **yellow** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **yellow** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “– 2. Who can apply” above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 16 January 2017 until 11:30 a.m. on Thursday, 19 January 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 19 January 2017 or such later time under the “– 10. Effects of Bad Weather on the Opening of the Applications Lists” below.

No Multiple Applications

If you apply by means of **White Form eIPO** Service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** Service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.00 for each “Wisdom Education International Holdings Company Limited” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Source of Dong Jiang Hong Kong Forest” project initiated by Friend of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a 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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **white** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not 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 Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
 - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
 - agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company

HOW TO APPLY FOR HONG KONG OFFER SHARES

agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised 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 authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **white** Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 16 January 2017	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 17 January 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 18 January 2017	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 19 January 2017	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 16 January 2017 until 12:00 noon on Thursday, 19 January 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 19 January 2017, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service 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 Thursday, 19 January 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **white** and **yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **white** or **yellow** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please refer to “Structure of the Global Offering – Pricing and Allocation” of this prospectus for further details of the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 19 January 2017, 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 Thursday, 19 January 2017, or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 25 January 2017 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at **www.wisdomeducationintl.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.wisdomeducationintl.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. Wednesday, 25 January 2017;
- from the designated results of allocations website at **www.iporesults.com.hk** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 25 January 2017 to 12:00 midnight on Tuesday, 31 January 2017;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 25 January 2017 to Saturday, 28 January 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 25 January 2017 to Friday, 27 January 2017 at all the receiving banks' 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. Please refer to "Structure of the Global Offering" of this prospectus for further details".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving electronic application **instructions** to HKSCC or to **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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.28 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" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 25 January 2017.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **white** or **yellow** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **yellow** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 25 January 2017. 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 Thursday, 26 January 2017 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” of 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

(a) 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 our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 25 January 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 25 January 2017, by ordinary post and at your own risk.

(b) If you apply using a Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 25 January 2017, by ordinary post and at your own risk.

If you apply by using a **yellow** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 25 January 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "– 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 25 January 2017 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.

(c) 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 our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 25 January 2017, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 25 January 2017 by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 25 January 2017, 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 Wednesday, 25 January 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 25 January 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 25 January 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 25 January 2017.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

35/F One Pacific Place
88 Queensway
Hong Kong

16 January 2017

The Directors
Wisdom Education International Holdings Company Limited
BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Wisdom Education International Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 August 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 16 January 2017 (the “Prospectus”) in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

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 13 July 2010. Pursuant to a special resolution of the Company dated 12 May 2016, the name of the Company has been changed from Bright Education Group Co. Limited to Wisdom Education Group Company Limited, the name of the Company has been further changed to Wisdom Education International Holdings Company Limited pursuant to a special resolution of the Company dated 28 June 2016. The change was certified by the Registrar of Companies of Cayman Islands on 5 July 2016.

Pursuant to a corporate reorganization, as described more fully in the section headed “History and development” to the Prospectus, the Company became the holding company of the Group on 1 July 2016.

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group			Date of this report	Principal activities
			As at 31 August 2014	2015	2016		
Bright Education Co. Limited (“Bright Education BVI”) 光正教育有限公司	29 July 2010 British Virgin Islands (“BVI”)	United States Dollars (“USD”) 1	100%	100%	100%	100%	Investment holding
Bright Education (HK) Co. Limited (“Bright Education HK”) 光正教育(香港)有限公司	15 September 2010 Hong Kong	Hong Kong Dollars (“HK\$”) 1	100%	100%	100%	100%	Investment holding
Brighter Dewey Education Corporation (“Brighter Dewey”)	27 May 2016 Canada	Canadian Dollars 100	N/A	N/A	55%	55%	Provision of middle school and primary school full time education

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group			Date of this report	Principal activities
			As at 31 August 2014	2015	2016		
廣東光正教育集團有限公司 Guangdong Guangzheng Educational Group Co., Ltd.* ("Guangdong Guangzheng")	10 October 2002 The People's Republic of China (the "PRC")	RMB83,400,000	100%	100%	100%	100%	Education investment
東莞瑞興商務服務有限公司 Dongguan Ruixing Business Services Co., Ltd.* ("Dongguan Ruixing")	17 May 2013 The PRC	HK\$1,000,000	100%	100%	100%	100%	Educational consultancy service
東莞悅興教育諮詢有限公司 Dongguan Yuexing Education Consulting Co., Ltd.* ("Dongguan Yuexing")	4 December 2012 The PRC	HK\$- (note vi)	100%	100%	100%	100%	Educational consultancy service
盤錦光正投資有限公司 Panjin Guangzheng Investment Co., Ltd.* ("Panjin Guangzheng")	13 March 2013 The PRC	RMB80,000,000	100% (note i)	100% (note i)	100%	100%	Education investment
盤錦光正實驗學校 Panjin Guangzheng Preparatory School*	1 September 2014 The PRC	RMB- (note vi)	N/A	100%	100%	100%	Provision of high school, middle school and primary school full time education
惠州市光正投資有限公司 Huizhou Guangzheng Investment Co., Ltd.* ("Huizhou Guangzheng") (note ii)	23 July 2009 The PRC	RMB20,000,000	100%	100%	100%	100%	Education investment
惠州市光正實驗學校 Huizhou Guangzheng Preparatory School*	10 April 2014 The PRC	RMB5,000,000	100%	100%	100%	100%	Provision of high school, middle school and primary school full time education
東莞市光明中學 Dongguan Guangming School*	9 April 2003 The PRC	RMB232,524,000	100%	100%	100%	100%	Provision of high school and middle school full time education
東莞市光明小學 Dongguan Guangming Primary School*	25 August 2004 The PRC	RMB85,912,900	100%	100%	100%	100%	Provision of primary school full time education

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group			Date of this report	Principal activities
			As at 31 August 2014	2015	2016		
東莞市光正實驗學校 Dongguan Guangzheng Preparatory School*	1 July 2004 The PRC	RMB50,434,794	100%	100%	100%	100%	Provision of high school, middle school and primary school full time education
深圳光正優越科技開發有限公司 Shenzhen Guangzheng Youyue Technology Development Co., Ltd.* (“Shenzhen Youyue”)	10 October 2015 The PRC	RMB– (note vi)	N/A	N/A	100%	100%	Software development
江蘇省南通市光正投資有限公司 Jiangsu Nantong Guangzheng Investment Co., Ltd.* (“Nantong Guangzheng”)	12 August 2011 The PRC	RMB60,000,000	100%	100%	– (note iii)	–	Inactive
東莞市光正物業服務有限公司 Dongguan Guangzheng Property Services Co., Ltd.* (“Dongguan Guangzheng Property”)	16 January 2009 The PRC	RMB200,000	100%	100%	– (note iv)	–	Inactive
東莞市光正醫藥有限公司 Dongguan Guangzheng Pharmaceutical Co., Ltd.* (“Dongguan Guangzheng Pharmaceutical”)	29 September 2003 The PRC	RMB1,000,000	60%	60%	– (note v)	–	Inactive
東莞市文匯教育投資有限公司 Dongguan Wenhui Education Investment Co., Ltd.* (“Dongguan Wenhui”)	6 August 2015 The PRC	RMB– (note vi)	N/A	100%	100%	100%	Education investment
濰坊光正實驗學校投資有限公司 Weifang Guangzheng Preparatory School Investment Co., Ltd.* (“Weifang Guangzheng”)	9 October 2015 The PRC	RMB– (note vi)	N/A	N/A	100%	100%	Education investment
濰坊光正實驗學校 Weifang Guangzheng Preparatory School*	28 July 2016 The PRC	RMB20,000,000	N/A	N/A	100%	100%	Provision of middle school and primary school full time education
廣安光正教育發展有限公司 Guang'an Guangzheng Education Development Co., Ltd.* (“Guang'an Guangzheng”)	8 April 2016 The PRC	RMB– (note vi)	N/A	N/A	100%	100%	Education investment

Name of Subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interests attributable to the Group			Date of this report	Principal activities
			As at 31 August 2014	2015	2016		
雲浮市光正投資有限公司 Yunfu Guangzheng Investment Co., Ltd.* ("Yunfu Guangzheng")	31 August 2016 The PRC	RMB- (note vi)	N/A	N/A	75%	75%	Education investment

* The English names are for identification purpose only.

Notes:

- i. To finance the establishment of Panjin Guangzheng Preparatory School, in May 2014, Guangdong Guangzheng, Panjin Guangzheng and 東莞信託有限公司 ("Dongguan Trust"), an independent third party, entered into a financing arrangement, pursuant to which Dongguan Trust injected RMB200 million, of which RMB50 million in the form of registered capital and RMB150 million in the form of contributed surplus into Panjin Guangzheng. Accordingly, for the purpose of the financing arrangements, the registered capital of Panjin Guangzheng has increased to RMB80 million, of which RMB50 million, equivalent to 62.5% of the registered capital of Panjin Guangzheng, was held under the name of Dongguan Trust as security of the financial arrangement. Pursuant to the financing arrangements, among other matters, Dongguan Trust agreed to transfer back the 62.5% of registered capital in Panjin Guangzheng to the Group upon full repayment of RMB200 million in two years, together with interests thereon, by Guangdong Guangzheng to Dongguan Trust. In June 2016, 62.5% of registered capital in Panjin Guangzheng was transferred from Dongguan Trust to Guangdong Guangzheng upon full repayment of the said amount pursuant to the financing arrangement. Details of the financing arrangement is included in note 24 of Section A.
- ii. To finance the establishment of Huizhou Guangzheng Preparatory School, in July 2011, Guangdong Guangzheng, Huizhou Guangzheng and Dongguan Trust entered into a financing arrangement, pursuant to which Dongguan Trust injected RMB100 million, of which RMB15 million in the form of registered capital and RMB85 million in the form of contributed surplus into Huizhou Guangzheng. Accordingly, for the purpose of the financing arrangements, the registered capital of Huizhou Guangzheng has increased to RMB20 million, of which RMB15 million, equivalent to 75.0% of the registered capital, was held under the name of Dongguan Trust as security of the financial arrangement. Pursuant to the financing arrangements, among other matters, Dongguan Trust agreed to transfer back the 75.0% of registered capital in Huizhou Guangzheng to the Company upon full repayment of RMB100 million in two years, together with interests thereon, by Guangdong Guangzheng to Dongguan Trust. In May 2013, full repayment of the said amount pursuant to the financing arrangement has been made to Dongguan Trust. In September 2013, 75.0% of registered capital in Huizhou Guangzheng was transferred from Dongguan Trust to 富盈集團有限公司 ("Cinese Group"), a company controlled by Mr. Liu Xuebin ("Mr. Liu"), one of the controlling shareholders of the Company. In July 2014, Cinese Group transferred the 75.0% of registered capital in Huizhou Guangzheng to the Group for a consideration of RMB15 million. Details of the financing arrangement is included in note 24 of Section A.
- iii. Nantong Guangzheng was disposed of on 18 January 2016 to Mr. Liu and Ms. Li Suwen ("Ms. Li"), controlling shareholders of the Company for RMB1,000,000. The disposal was completed with consideration received in April 2016. Details of the disposal are included in note 32 of section A.
- iv. Dongguan Guangzheng Property was disposed of on 29 January 2016 to Mr. Liu Jiefeng ("Mr. JF Liu"), a close family member of Mr. Liu and Mr. Liu Shoupeng ("Mr. SP Liu"), father of Mr. Liu for RMB200,000. The disposal was completed with consideration received in February 2016. Details of the disposal are included in note 32 of section A.
- v. Dongguan Guangzheng Pharmaceutical was disposed of on 7 December 2015 to Mr. JF Liu for RMB600,000. The disposal was completed with consideration received in January 2016. Details of the disposal are included in note 32 of section A.
- vi. As at the date of this report, no registered capital has been paid.

Bright Education BVI was a direct subsidiary of the Company and other subsidiaries are indirect subsidiaries of the Company.

The Company's financial year end date is 31 August, which is consistent with the school year. Except for the Company, Bright Education HK and Brighter Dewey that have a financial year end of 31 August, all subsidiaries have a financial year end of 31 December.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year/period ended	Name of auditors
Dongguan Guangming School	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Guangming Primary School	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Guangzheng Preparatory School	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Huizhou Guangzheng Preparatory School	31 December 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Ruixing	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Yuexing	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Guangdong Guangzheng	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Huizhou Guangzheng	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch
Dongguan Guangzheng Property	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合伙)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch

Name of subsidiaries	Financial year/period ended	Name of auditors
Dongguan Guangzheng Pharmaceutical	31 December 2013, 2014 and 2015	大信會計師事務所(特殊普通合夥)廣東分所 Daxin Certified Public Accountants (LLP) Guangdong Branch

According to the Law for Promoting Private Education, the private schools should engage external auditors to issue audit report for each fiscal year. Panjin Guangzheng Preparatory School has not engaged an auditor to issue statutory financial statement for the year ended 31 December 2015, since audited financial statements were not requested by local authorities during the annual inspection.

Panjin Guangzheng has not engaged an auditor to issue statutory financial statements for the period from 13 March 2013 to 31 December 2013 and for the year ended 31 December 2014 and 2015 as it was not required by local authorities.

No statutory financial statements were prepared for Nantong Guangzheng as it was inactive during the Track Record Period since its date of establishment.

No audited financial statements have been prepared for Weifang Guangzheng, Weifang Guangzheng Preparatory School, Guang'an Guangzheng, Shenzhen Youyue, Dongguan Wenhui, Yunfu Guangzheng and Brighter Dewey as they are either newly incorporated/established or incorporated in jurisdictions which do not have any statutory audit requirements.

No statutory financial statements have been prepared for the Company and Bright Education BVI as they were incorporated in jurisdictions where there are no statutory audit requirements.

Statutory financial statements of Bright Education HK for the year ended 31 August 2014, 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Track Record Period (hereinafter referred to as "Underlying Financial Statements") in accordance with accounting policies which confirm with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). We have undertaken an independent audit in accordance with International Standards on Auditing and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of the Section A below. No adjustment is considered necessary for the purpose of preparing our report for inclusion in the Prospectus.

The preparation of the Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to Section A below, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the financial position of the Company and the Group as at 31 August 2014, 2015 and 2016 and of the financial performance and cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 August		
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Revenue	5	450,913	568,715	700,741
Cost of revenue		<u>(239,717)</u>	<u>(289,194)</u>	<u>(370,352)</u>
Gross profit		211,196	279,521	330,389
Other income	6	7,007	6,858	7,499
Other gains and losses	7	176	(1,260)	(6,201)
Selling expenses		(6,289)	(7,513)	(13,271)
Administrative expenses		(72,150)	(76,114)	(93,945)
Listing expenses		–	–	(24,401)
Finance income	8a	46,316	117,600	64,105
Finance costs	8b	<u>(73,987)</u>	<u>(106,750)</u>	<u>(69,640)</u>
Profit before taxation		112,269	212,342	194,535
Taxation	9	<u>(21,360)</u>	<u>(30,045)</u>	<u>(40,172)</u>
Profit and total comprehensive income for the year	10	<u>90,909</u>	<u>182,297</u>	<u>154,363</u>
Attributable to:				
Owners of the Company		90,917	182,305	154,367
Non-controlling interests		<u>(8)</u>	<u>(8)</u>	<u>(4)</u>
		<u>90,909</u>	<u>182,297</u>	<u>154,363</u>
Earnings per share				
Basic (RMB)	13	<u>0.06</u>	<u>0.12</u>	<u>0.10</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	2014 (RMB'000)	The Group At 31 August 2015 (RMB'000)	2016 (RMB'000)
NON-CURRENT ASSETS				
Property, plant and equipment	14	925,194	1,006,912	1,344,405
Prepaid lease payments	15	218,308	213,055	226,324
Investment properties	16	17,500	18,100	19,700
Amounts due from related parties	25	1,074,930	99,220	–
Deposits	18	90,271	95,380	–
Deferred tax assets	26	666	677	2,775
Prepayments for construction to a related company	19	–	–	170,000
		<u>2,326,869</u>	<u>1,433,344</u>	<u>1,763,204</u>
CURRENT ASSETS				
Inventories – goods for sale		1,591	1,978	4,522
Deposits, prepayments and other receivables	18	51,952	25,761	30,416
Amounts due from related parties	25	287,537	1,486,418	550,830
Prepaid lease payments	15	5,253	5,253	5,698
Bank balances and cash	20	13,071	12,229	103,705
		<u>359,404</u>	<u>1,531,639</u>	<u>695,171</u>
CURRENT LIABILITIES				
Deferred revenue	21	224,817	285,146	365,005
Trade payables	22	14,362	25,185	39,936
Other payables and accrued expenses	23	286,552	203,971	207,549
Amounts due to related parties	25	336,908	432,838	339,788
Income tax payable		38,583	61,210	58,218
Borrowings	24	141,362	537,849	142,279
		<u>1,042,584</u>	<u>1,546,199</u>	<u>1,152,775</u>
NET CURRENT LIABILITIES		<u>(683,180)</u>	<u>(14,560)</u>	<u>(457,604)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,643,689</u>	<u>1,418,784</u>	<u>1,305,600</u>
CAPITAL AND RESERVES				
Share capital/paid-in capital	27	83,400	83,400	–
Reserves		427,232	592,076	830,775
Equity attributable to owners of the Company		<u>510,632</u>	<u>675,476</u>	<u>830,775</u>
Non-controlling interests		(217)	(225)	–
		<u>510,415</u>	<u>675,251</u>	<u>830,775</u>
NON-CURRENT LIABILITIES				
Borrowings	24	1,128,638	737,651	465,421
Deferred tax liabilities	26	4,636	5,882	9,404
		<u>1,133,274</u>	<u>743,533</u>	<u>474,825</u>
		<u>1,643,689</u>	<u>1,418,784</u>	<u>1,305,600</u>

STATEMENTS OF FINANCIAL POSITION

		The Company		
		At 31 August		
	<i>Notes</i>	2014	2015	2016
		<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
NON-CURRENT ASSET				
Investment in a subsidiary	17	—	—	—
CURRENT ASSET				
Deferred listing expenses		—	—	8,134
CURRENT LIABILITIES				
Accrued listing expenses		—	—	20,037
Amount due to a director	25	61	63	10,724
Amount due to a subsidiary	25	—	—	759
		<u>61</u>	<u>63</u>	<u>31,520</u>
NET CURRENT LIABILITIES		<u>(61)</u>	<u>(63)</u>	<u>(23,386)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(61)</u>	<u>(63)</u>	<u>(23,386)</u>
CAPITAL AND RESERVES				
Share capital	27	—	—	—
Reserves	28	(61)	(63)	(23,386)
		<u>(61)</u>	<u>(63)</u>	<u>(23,386)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital/ paid-up capital (RMB'000)	Capital reserve (RMB'000) (note i)	Merger reserve (RMB'000)	Discretionary special reserve (RMB'000) (note iii)	Statutory surplus reserve (RMB'000) (note iv)	Accumulated profits (RMB'000)	Total (RMB'000)	Non- controlling interest (RMB'000)	Total (RMB'000)
At 1 September 2013	83,400	-	-	-	138,496	308,041	529,937	(209)	529,728
Profit and total comprehensive income for the year	-	-	-	-	-	90,917	90,917	(8)	90,909
Deemed contribution from equity holder	-	85,000	-	-	-	-	85,000	-	85,000
Deemed distribution to equity holder (note ii)	-	-	-	-	-	(195,222)	(195,222)	-	(195,222)
Transfer	-	-	-	-	28,676	(28,676)	-	-	-
At 31 August 2014	83,400	85,000	-	-	167,172	175,060	510,632	(217)	510,415
Profit and total comprehensive income for the year	-	-	-	-	-	182,305	182,305	(8)	182,297
Deemed distribution to equity holder (note ii)	-	-	-	-	-	(17,461)	(17,461)	-	(17,461)
Transfer	-	-	-	-	39,331	(39,331)	-	-	-
At 31 August 2015	83,400	85,000	-	-	206,503	300,573	675,476	(225)	675,251
Profit and total comprehensive income for the year	-	-	-	-	-	154,367	154,367	(4)	154,363
Disposal of a subsidiary (note 32)	-	-	-	-	-	-	-	229	229
Deemed contribution from equity holders (note ii)	-	-	-	-	-	932	932	-	932
Transfer	-	-	-	182,519	35,404	(217,923)	-	-	-
Arising from reorganisation (note v)	(83,400)	-	83,400	-	-	-	-	-	-
At 31 August 2016	-	85,000	83,400	182,519	241,907	237,949	830,775	-	830,775

Notes:

- i. Pursuant to the trust financing arrangement between the Group, Huizhou Guangzheng and Dongguan Trust, 75% of equity interest of Huizhou Guangzheng was transferred to Cinese Group from Dongguan Trust upon the full repayment of RMB100,000,000 by Cinese Group in May 2013. The repayment by Cinese Group was settled with the Group's current accounts. In September 2013, the 75% equity interest in Huizhou Guangzheng was subsequent transferred from Cinese Group to the Group at a consideration of RMB15,000,000 and settled by the current accounts with Cinese Group. The difference of RMB85,000,000 between the consideration and the investment in Huizhou Guangzheng by Cinese Group of RMB100,000,000 is accounted for as a deemed contribution from equity holders.
- ii. The deemed distribution to equity holders represents the differences between the fair value of the lower-than-market interest rate advances to Cinese Group and other related parties, and the principal amount of the advances at initial recognition. Details of the advances to Cinese Group and other related parties is included in note 25 of section A below. For the year ended 31 August 2016, the deemed contribution includes the gain on disposal of Nantong Guangzheng amounting to RMB932,000, which represents the differences between the consideration received and the carrying amount of the assets and liabilities disposed of at the date of disposal.
- iii. Discretionary special reserve represents the accumulated surplus in the school campus canteen operations specifically set aside by the Group for the improvement and enhancement of the services and conditions of the school campus canteens. This reserve is non-distributable to equity holders during the school operating period. Upon liquidation or wind-up of the schools, the underlying assets and liabilities of the special reserve would be treated similar to other assets and liabilities of the schools pursuant to 《中華人民共和國國民辦教育促進法》 and 《中華人民共和國企業破產法》. Upon the establishment of a special reserve committee in May 2016, the Group has transferred all the retained earnings of its on-campus canteens since the operation thereof to the discretionary special reserve. As at 31 August 2016, all such retained earnings in the amount of RMB182,519,000 had been transferred to the discretionary special reserve.
- iv. Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (a) general reserve of the limited liabilities companies and (b) the development fund of schools.
 - (a) 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.
 - (b) According to the relevant PRC laws and regulations, for private school that requires 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.
- v. Amounts represent the transfer of the combined paid-in capital of the Consolidated Affiliated Entities to the merger reserve upon the Company became the holding company of the Consolidated Affiliated Entities which was effective from the date of Contractual Arrangements (both defined in note 1 of Section A).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 August		
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
OPERATING ACTIVITIES				
Profit before taxation		112,269	212,342	194,535
Adjustments for:				
Finance costs		73,987	106,750	69,640
Interest income		(46,316)	(117,600)	(64,105)
Listing expenses		–	–	24,401
Depreciation of property, plant and equipment		29,308	41,037	49,413
Increase in fair value of investment properties		(600)	(600)	(1,600)
Release of prepaid lease payments		4,962	5,253	5,503
Loss on disposal of subsidiaries		–	–	2,353
Loss on disposal of property, plant and equipment		95	153	827
Operating cash flows before movements in working capital		173,705	247,335	280,967
Increase in inventories		(481)	(387)	(2,547)
(Increase) decrease in deposits, prepayments and other receivables		(4,551)	(4,448)	4,252
Increase in deferred revenue		46,527	60,329	79,859
Increase in trade payables		6,007	10,823	14,751
Increase in amounts due to related parties		1,170	2,375	6,605
Increase (decrease) in other payables and accrued expenses		19,286	9,304	(4,535)
Cash generated from operations		241,663	325,331	379,352
Income tax paid		(563)	(6,183)	(41,740)
NET CASH FROM OPERATING ACTIVITIES		241,100	319,148	337,612

	Notes	Year ended 31 August		
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
INVESTING ACTIVITIES				
Interest received		271	89	155
Disposal of subsidiaries	32	–	–	(30)
Refund of deposits paid for a school building project		–	–	95,380
Deposit paid for a school building project		(40,000)	–	–
Payments for acquisition of property, plant and equipment		(231,558)	(193,628)	(178,191)
Payments for acquisition of prepaid lease		(5,000)	–	(19,217)
Proceeds from disposal of property, plant and equipment		108	–	185
Advances to related parties		(427,993)	(786,738)	(989,821)
Repayments from related parties		555,200	664,008	627,805
Advances to Cinese Group		(1,190,000)	(100,000)	–
Repayment from Cinese Group		455,000	94,500	717,800
Repayment from a local land authority	18	–	30,000	–
Payment for acquisition of Dongguan Guangzheng Preparatory School		(26,000)	(17,000)	(3,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(909,972)	(308,769)	251,066
FINANCING ACTIVITIES				
Proceeds from bank borrowings		1,190,000	100,000	50,000
Repayment of bank borrowings		(455,000)	(94,500)	(717,800)
Repayments to related parties		(69,972)	(102,729)	(383,108)
Advances from related parties		59,113	196,284	654,500
Interest paid		(76,106)	(110,276)	(88,296)
Listing expenses paid		–	–	(12,498)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		648,035	(11,221)	(497,202)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(20,837)	(842)	91,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		33,908	13,071	12,229
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		13,071	12,229	103,705

NOTES TO THE FINANCIAL INFORMATION

1a. CORPORATE INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 July 2010 as an exempted company under the Companies Law of the Cayman Islands. Its parent is Bright Education (Holdings) Co. Limited (“Bright Education Holdings”) (incorporated in the British Virgin Islands) and its ultimate controlling parties are Mr. Liu, who is also the Chairman and executive director of the Company and Ms. Li, who is the Chief Executive Officer and executive director of the Company (Mr. Liu and Ms. Li collectively as the “Controlling Equity Holders”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of principal place of business of the Company is No. 28 Chiling Road Section, Guantai Road, Houjie Town, Dongguan, Guangdong, the PRC.

The Group provides full spectrum private fundamental education, including primary, middle and high schools in the PRC.

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Guangdong Guangzheng and its subsidiaries, which were established in the PRC. The Company and its subsidiaries comprising the Group are under the control of Mr. Liu and Ms. Li, of which Mr. Liu and Ms. Li effectively owns 70% and 30% interests respectively in the Company and Guangdong Guangzheng. On 7 August 2016, Mr. Liu and Ms. Li have executed an acting in concert confirmation whereby they confirmed the existence of their acting in concert arrangements in the past, present and future to collectively control over the Company and Guangdong Guangzheng. In preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the reorganisation through entering into contractual arrangements (the “Contractual Arrangements”) between Guangdong Guangzheng and Dongguan Ruixing, an indirect subsidiary of the Company as detailed below.

Pursuant to the reorganisation as more fully explained in the paragraph headed under the section headed “Contractual Arrangements” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 1 July 2016. 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 (including the Consolidated Affiliated Entities as defined below) is regarded as a continuing entity. The Financial Information for the Track Record Period has been prepared on the basis as if the Company had been always been the holding company of the Group using the principle of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang’an Guangzheng and Yunfu Guangzheng (“Consolidated Affiliated Entities”) in the PRC. A wholly-owned subsidiary of the Company, Dongguan Ruixing, has entered into the Contractual Arrangements with Guangdong Guangzheng and their respective equity holders, which, effective from 1 July 2016, enable Dongguan Ruixing and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, intellectual property licensing services as well as technical and business support services provided by Dongguan Ruixing. Such services 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, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time; and
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Dongguan Ruixing may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dongguan Ruixing.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and therefore is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang'an Guangzheng and Yunfu Guangzheng in the Financial Information during the Track Record Period.

The following financial statement balances and amounts of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities' subsidiaries were included in the Financial Information:

	Year ended 31 August		
	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
Revenue	450,913	568,715	700,741
Profit before taxation	112,340	212,376	220,559
	<u> </u>	<u> </u>	<u> </u>
	At 31 August		
	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
Non-current assets	2,326,869	1,433,344	1,763,204
Current assets	358,584	1,530,824	685,401
Current liabilities	(1,041,625)	(1,545,211)	(1,121,173)
Non-current liabilities	(1,133,274)	(743,533)	(474,825)
	<u> </u>	<u> </u>	<u> </u>

The Financial Information is presented in RMB, which is also the functional currency of the Company.

1b. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

As of 31 August 2014, 2015 and 2016, the Group recorded net current liabilities of RMB683,180,000, RMB14,560,000 and RMB457,604,000, respectively. In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group's net current liabilities as of 31 August 2016 primarily as a result of: (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Cinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of the schools; (ii) other payables and accrued expenses, which consist primarily of accruals for construction in connection with the maintenance and improvement of the school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of short-term bank borrowings.

The Financial Information has been prepared on a going concern basis because the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group's cash flow projection, repayment from related parties, unutilised bank facilities and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the International Accounting Standards (“IASs”), IFRSs, amendments and the related Interpretations (“IFRICs”), which are effective for the accounting period beginning on 1 September 2015 throughout the Track Record Period.

At the date of this report, the following new and revised standards and amendments and an interpretation (collectively referred to as “new and revised IFRSs”) have been issued which are not yet effective. The Group has not early adopted these new and revised IFRSs in the preparation of the Financial Information for the Track Record Period.

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to IFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to IAS 1	Disclosure Initiative ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ³
Amendments to IAS 27	Equity Method in Separate Financial Statements ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to IAS 7	Disclosure Initiative ⁵
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁵
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁶

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces 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 IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. Based on the preliminary analysis, the management of the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on recognition of service income from tuition fees, boarding fees and ancillary services.

IFRS 16 Leases

IFRS 16 was issued by IASB in January 2016. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, 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. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 33, total operating lease commitments of the Group in respect of leased premises as at 31 August 2014, 2015 and 2016 are amounted to RMB54,511,000, RMB53,810,000 and RMB52,056,000, respectively, the directors of the Company do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company consider that the application of the other new and revised IFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period, as appropriate, and in accordance with the following accounting policies which conform to IFRSs issued by IASB. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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 Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 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 asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Company 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 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity thereon.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests. 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 IFRSs).

Business combinations other than those under common control

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated returns, discounts, and sales related tax.

Service income includes tuition fees and boarding fees from primary schools, middle schools and high schools of the Group.

Tuition and boarding fees received from primary schools, middle schools and high schools are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year.

Revenue from ancillary services, including the services provided at the on-campus canteens and medical rooms, is recognised when the goods are delivered and titles have passed or the services have been rendered, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Donations are recognised when entitlement of the Group to receive donations is established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

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 of income or expense that are taxable or deductible in other years and 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 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, and 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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 profits 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 when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 the 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 they relate 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 directly in equity respectively.

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group recognised deferred tax relating to land appreciation tax and Enterprise Income Tax ("EIT") on changes in fair value of such investment properties.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant 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.

Construction in progress is carried out at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant 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, plant 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Prepaid lease payments which is to be amortised to profit or loss in the next twelve months is classified as current assets.

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets 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 asset is estimated in order to determine the extent of the impairment loss, if any. When 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 to sell and value in use. In assessing value in use, the estimated future cash flow 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 assets for which the estimated 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 assets (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or a cash-generating unit) is increased to the revised estimated 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loan and receivables

Loan and receivables are assessed for indicators of impairment at the end of each reporting period. Loan and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions 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 the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payable, other payables, amounts due to related parties, directors and a subsidiary, and borrowings, are subsequently measured at amortised cost, using the effective interest method.

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 (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability 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 JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, 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 accounting judgments

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities 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 the Consolidated Affiliated Entities. The directors of the Company assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the directors of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has combined the financial information of Guangdong Guangzheng, Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School, Huizhou Guangzheng, Huizhou Guangzheng Preparatory School, Panjin Guangzheng, Panjin Guangzheng Preparatory School, Weifang Guangzheng, Weifang Guangzheng Preparatory School, Dongguan Wenhui, Guang'an Guangzheng and Yunfu Guangzheng in the Financial Information during the Track Record 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 the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Dongguan Ruixing, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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 from the end of each reporting period.

Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant 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, plant 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. As at 31 August 2014, 2015 and 2016, the carrying amount of property, plant and equipment are RMB925,194,000, RMB1,006,912,000 and RMB1,344,405,000 respectively. Any change in these estimates may have a material impact on the results of the Group.

5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of education services in the PRC.

Revenue represents service income from tuition fees, boarding fees and ancillary services less returns, discounts and sales related tax.

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer who reviews revenue analysis of the Group as a whole.

Information reported to the CODM, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment. The management of the Group assesses the performance of the 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. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

The revenues attributable to the Group's service lines are as follows:

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Tuition fees	315,211	391,685	489,561
Boarding fees	36,439	50,539	60,555
Ancillary services	99,263	126,491	150,625
	450,913	568,715	700,741

Major customers

No single customer contributes over 10% or more of total revenue of the Group during the Track Record Period.

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

6. OTHER INCOME

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Rental income from investment properties	1,046	896	1,043
Government grants (<i>note i</i>)	620	1,450	1,956
Donations	260	260	680
Staff quarter income	3,418	3,442	2,649
Others	1,663	810	1,171
	<u>7,007</u>	<u>6,858</u>	<u>7,499</u>

Note:

- i. Government grants mainly represent non-conditional subsidies from government for organising schools activities and outstanding academic performance of the schools.

7. OTHER GAINS AND LOSSES

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Loss on disposal of property, plant and equipment, net	(95)	(153)	(827)
Gain on change in fair value of investment properties (<i>note 16</i>)	600	600	1,600
Penalties and late surcharges	(330)	(1,847)	(4,553)
Loss on disposal of subsidiaries (<i>note 32</i>)	–	–	(2,353)
Others	1	140	(68)
	<u>176</u>	<u>(1,260)</u>	<u>(6,201)</u>

8a. FINANCE INCOME

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Bank interest income	271	89	155
Interest income from deposits paid for a school building project (<i>note 18</i>)	3,824	5,109	–
Imputed interest income on advances to Cinese Group	34,923	101,074	63,950
Imputed interest income on advances to related parties	7,298	11,328	–
	<u>46,316</u>	<u>117,600</u>	<u>64,105</u>

8b. FINANCE COSTS

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Interest expense on bank and other borrowings			
– wholly repayable within 5 years	67,465	86,124	70,159
– not wholly repayable within 5 years	11,574	23,752	9,849
Less: amounts capitalised in the cost of property, plant and equipment	(5,052)	(3,126)	(10,368)
	<u>73,987</u>	<u>106,750</u>	<u>69,640</u>

Borrowing costs capitalised during the year ended 31 August 2014, 2015 and 2016 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.2%, 8.5% and 9.1% per annum, respectively to expenditure on property, plant and equipment (construction in progress).

9. TAXATION

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
The income tax expense comprises:			
Current tax:			
PRC EIT	19,742	28,810	38,748
Deferred tax (<i>note 26</i>)	1,618	1,235	1,424
	<u>21,360</u>	<u>30,045</u>	<u>40,172</u>

The income tax expense for the year can be reconciled to the profit before taxation as follows:

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Profit before taxation	<u>112,269</u>	<u>212,342</u>	<u>194,535</u>
Tax at PRC EIT rate of 25%	28,067	53,086	48,634
Tax effect of tax loss not recognised	3,101	4,556	265
Tax effect of income not taxable for tax purposes (<i>note i</i>)	(10,555)	(28,101)	(15,988)
Tax effect of expenses not deductible for tax purposes	686	952	7,482
Utilisation of tax loss previously not recognised	–	(552)	–
Others	61	104	(221)
Income tax expense for the year	<u>21,360</u>	<u>30,045</u>	<u>40,172</u>

Note:

- i. The income not taxable for tax purposes mainly represents the tax effect of imputed interest income on advances to Chinese Group and related parties.

The Company was incorporated in the Cayman Islands and Bright Education 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.

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit during the Track Record Period.

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the Track Record Period.

As at 31 August 2014, 2015 and 2016, the Group had estimated unused tax losses of approximately RMB23,828,000, RMB42,052,000 and RMB43,112,000, respectively available for offset against future profits. Deferred tax asset has been recognised in respect of RMB7,668,000 of the tax losses as at 2016. No deferred tax asset has been recognised in respect of the remaining unused tax losses amounted to RMB23,828,000, RMB42,052,000 and RMB35,444,000 for the year ended 31 August 2014, 2015 and 2016 due to the unpredictability of future profit stream.

10. PROFIT FOR THE YEAR

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Profit for the year has been arrived at after charging (crediting):			
Staff costs, including directors' remuneration			
– salaries and other allowances	165,346	191,618	225,383
– retirement benefit scheme contributions	10,360	12,263	21,299
Total staff costs	175,706	203,881	246,682
Depreciation of property, plant and equipment	29,308	41,037	49,413
Release of prepaid lease payments	4,962	5,253	5,503
Auditors' remuneration	71	181	182

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Mr. Liu and Ms. Li were appointed as directors of the Company on 12 July 2010. Mr. Li Jiuchang and Mr. Ng Cheuk Him were appointed as directors of the Company on 7 June 2016. Mr. Sun Kai Lit, Cliff, Mr. Tam King Ching, Kenny and Mr. Yau Sze Ka were appointed as directors of the Company on 3 January 2017. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/ directors of the group entities by entities comprising the Group) during the Track Record Period are as follows:

For the year ended 31 August 2014

	Directors' fee (RMB'000)	Salaries and other allowances (RMB'000)	Discretionary bonus (RMB'000)	Retirement benefit scheme contributions (RMB'000)	Total (RMB'000)
<u>Executive directors</u>					
Mr. Liu Xuebin	–	–	–	–	–
Ms. Li Suwen	–	300	–	15	315
	–	300	–	15	315

For the year ended 31 August 2015

	Directors' fee (RMB'000)	Salaries and other allowances (RMB'000)	Discretionary bonus (RMB'000)	Retirement benefit scheme contributions (RMB'000)	Total (RMB'000)
<u>Executive directors</u>					
Mr. Liu Xuebin	–	–	–	–	–
Ms. Li Suwen	–	300	–	15	315
	–	300	–	15	315

For the year ended 31 August 2016

	Directors' fee (RMB'000)	Salaries and other allowances (RMB'000)	Discretionary bonus (RMB'000)	Retirement benefit scheme contributions (RMB'000)	Total (RMB'000)
<u>Executive directors</u>					
Mr. Liu Xuebin	–	–	–	–	–
Ms. Li Suwen	–	300	–	–	300
Mr. Li Jiuchang	–	333	–	18	351
Mr. Ng Cheuk Him	–	1,360	–	–	1,360
	–	1,993	–	18	2,011

Note:

- i. No emoluments were paid to any of the other directors, namely Mr. Sun Kai Lit, Cliff, Mr. Tam King Ching, Kenny and Mr. Yau Sze Ka during the Track Record Period.

Employees

The five highest paid individuals of the Group included one, one and three directors of the Company for the years ended 31 August 2014, 2015 and 2016 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining four, four and two individuals for the years ended 31 August 2014, 2015 and 2016, respectively, are as follows:

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Salaries and other benefits	1,099	1,280	673
Retirement benefit scheme contributions	36	74	43
	1,135	1,354	716

The emoluments of the five highest paid individuals, other than directors of the Company, were within the following bands:

	Year ended 31 August		
	2014	2015	2016
Nil to HK\$1,000,000	4	4	2

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the consolidated profit attributable to the owners of the Company and the weighted average number of approximately 1,500,000,000, 1,500,000,000 and 1,500,000,000 shares outstanding during the years ended 31 August 2014, 2015 and 2016 after retrospective adjustment and on the assumption that the reorganisation and capitalisation issue as described in the Paragraph headed "Share Capital" to the Prospectus had been in effective on 1 September 2013.

No diluted earnings per share is presented as there were no dilutive potential shares during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings (RMB'000)	Leasehold improvements (RMB'000)	Motor vehicles (RMB'000)	Furniture and fixtures (RMB'000)	Construction in progress (RMB'000)	Total (RMB'000)
COST						
At 1 September 2013	570,794	12,738	3,796	36,537	51,719	675,584
Additions	13,483	12,301	93	14,539	303,979	344,395
Transfer	299,401	–	–	1,564	(300,965)	–
Disposals	–	–	(528)	(1,101)	–	(1,629)
At 31 August 2014	883,678	25,039	3,361	51,539	54,733	1,018,350
Additions	6,872	12,809	294	20,689	82,244	122,908
Transfer	120,812	4,775	–	429	(126,016)	–
Disposals	–	–	–	(1,509)	–	(1,509)
At 31 August 2015	1,011,362	42,623	3,655	71,148	10,961	1,139,749
Additions	20,169	15,850	340	27,607	323,952	387,918
Transfer	172,380	6,194	–	–	(178,574)	–
Disposals	–	–	(750)	(6,519)	–	(7,269)
At 31 August 2016	1,203,911	64,667	3,245	92,236	156,339	1,520,398
DEPRECIATION						
At 1 September 2013	(39,707)	(3,166)	(1,501)	(20,900)	–	(65,274)
Provided for the year	(15,427)	(4,241)	(374)	(9,266)	–	(29,308)
Eliminated on disposals	–	–	528	898	–	1,426
At 31 August 2014	(55,134)	(7,407)	(1,347)	(29,268)	–	(93,156)
Provided for the year	(22,221)	(7,130)	(328)	(11,358)	–	(41,037)
Eliminated on disposals	–	–	–	1,356	–	1,356
At 31 August 2015	(77,355)	(14,537)	(1,675)	(39,270)	–	(132,837)
Provided for the year	(24,921)	(10,937)	(268)	(13,287)	–	(49,413)
Eliminated on disposals	–	–	680	5,577	–	6,257
At 31 August 2016	(102,276)	(25,474)	(1,263)	(46,980)	–	(175,993)
NET BOOK VALUES						
At 31 August 2014	828,544	17,632	2,014	22,271	54,733	925,194
At 31 August 2015	934,007	28,086	1,980	31,878	10,961	1,006,912
At 31 August 2016	1,101,635	39,193	1,982	45,256	156,339	1,344,405

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis over at the following useful life:

Buildings	30 – 50 years
Leasehold improvements	4 – 5 years
Motor vehicles	4 – 5 years
Furniture and fixtures	4 – 5 years
Computer equipment	4 – 5 years

At 31 August 2014, 2015 and 2016, the Group is in the process of obtaining the property certificates for the buildings with an aggregate carrying value of RMB487,699,000, RMB504,938,000 and RMB529,635,000 which are located in the PRC.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC and are analysed for reporting purposes as:

	At 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Current assets	5,253	5,253	5,698
Non-current assets	218,308	213,055	226,324
	<u>223,561</u>	<u>218,308</u>	<u>232,022</u>

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 50 – 65 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At 31 August 2014, 2015 and 2016, the carrying value of the land use rights of RMB37,497,000, RMB36,649,000 and RMB35,800,000 respectively was allocated by the government without land use right certificates. The Group is legally entitled to use them for 50 to 65 years which are stated in the corresponding acquisition agreements. 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. INVESTMENT PROPERTIES

	(RMB'000)
FAIR VALUE	
At 1 September 2013	16,900
Unrealised gain in fair value (included in other gains and losses)	<u>600</u>
At 31 August 2014	17,500
Unrealised gain in fair value (included in other gains and losses)	<u>600</u>
At 31 August 2015	18,100
Unrealised gain in fair value (included in other gains and losses)	<u>1,600</u>
At 31 August 2016	<u>19,700</u>

The Group's investment properties are office units located in Dongguan, PRC and are leased out.

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 August 2014, 2015 and 2016 was RMB17,500,000, RMB18,100,000 and RMB19,700,000 respectively. The fair value has been arrived at based on a valuation carried out by DTZ Cushman & Wakefield Limited ("DTZ"), an independent valuer not connected with the Group. DTZ, located in 16th Floor Jardine House, Connaught Place Central, Hong Kong, is a member of the Hong Kong Institute of Surveyors. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalisation rate and market unit rent of individual unit.

Income capitalisation method has been adopted for valuing the Group's commercial property units. Key inputs used in valuing the Group's commercial property units were the monthly market rent per square meter which is RMB60 and RMB63 and RMB71 as at 31 August 2014, 2015 and 2016 and the discount rate of 5.5% used. Market rent per square meter is extrapolated using zero growth rate. An increase in the market rent per square meter or discount rate used would result in an increase or decrease in fair value measurement of the commercial property units, and vice versa.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 August 2014, 2015 and 2016 are as follows:

Commercial property units located in PRC

	Level 3 <i>(RMB'000)</i>	Fair value <i>(RMB'000)</i>
At 31 August 2014	17,500	17,500
At 31 August 2015	18,100	18,100
At 31 August 2016	19,700	19,700

There were no transfers into or out of Level 3 during the Track Record Period.

17. INVESTMENT IN A SUBSIDIARY

	2014 <i>(RMB'000)</i>	At 31 August 2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
<u>The Company</u>			
Unlisted shares, at cost	-	-	-

Investment in a subsidiary represents the investments cost in Bright Education BVI.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	At 31 August 2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Deposits paid for a school building project (note i)	90,271	95,380	–
Advances to a local land authority (note ii)	30,000	–	–
Deposits paid for construction of properties	2,811	2,172	3,001
Other deposits	8,126	8,883	8,334
Staff advances	1,583	3,650	3,660
Receivables from education bureau discretionary government subsidies	7,900	4,276	3,175
Other receivables	492	1,061	750
Prepayments	1,040	5,719	3,362
Deferred listing expenses	–	–	8,134
	<u>142,223</u>	<u>121,141</u>	<u>30,416</u>
Analysed for reporting purpose as:			
Current assets	51,952	25,761	30,416
Non-current assets	90,271	95,380	–
	<u>142,223</u>	<u>121,141</u>	<u>30,416</u>

Notes:

- i. In 2011, a deposit of RMB40,000,000 was paid to a local government to secure a school building project. An addition RMB40,000,000 deposit was paid to the local government during the year ended 31 August 2014. As at 31 August 2014 and 2015, these deposits carried a weighted-average interest rate of 7.2% and 6.6% per annum, respectively. In September 2015, the school building project was cancelled mutually by the Group and the local government and subsequently, the deposits of RMB80,000,000 and together with the interest of RMB15,380,000 were refunded to the Group. The accrued interest was recognised as finance income (note 8a). As the school building project was expected to last for more than one year, the deposit was classified as non-current assets.
- ii. In 2009 and 2011, the Group made two advances of RMB15,000,000 each to a local land authority for land expropriation purpose. The advances were interest free, unsecured and repayable on demand. During the year ended 31 August 2015, RMB30,000,000 was repaid by the local land authority.

19. PREPAYMENTS FOR CONSTRUCTION TO A RELATED COMPANY

During the year ended 31 August 2016, the Group entered into two agreements with 東莞市富盈房地產開發有限公司 (Dongguan Chinese Real Estate Development Co. Ltd.*) (“Dongguan Chinese Real Estate”), a related company controlled by Mr. Liu, to construct the school premises in Weifang and Guang’an and RMB370,000,000 has been prepaid in accordance with the agreements and settled by the current accounts with Chinese Group.

During the year ended 31 August 2016, RMB200,000,000 has been transferred to construction in progress with reference to the construction progress and the remaining RMB170,000,000 remains as prepayments as at 31 August 2016.

The school construction in Weifang and Guang’an are expected to complete not later than 30 June 2017 and 31 August 2017 respectively.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits held by the Company and the Group with an original maturity of three months or less.

As at 31 August 2014, 2015 and 2016, the Group's bank deposits carried a weighted-average interest rate of 0.43%, 0.48% and 0.71% per annum, respectively.

As at 31 August 2014, 2015 and 2016, included in bank balances and cash of RMB4,892,000, RMB2,076,000 and Nil respectively were kept in personal bank accounts under the name of Mr. Liu, Ms. Li and a senior management of the Group.

21. DEFERRED REVENUE

	At 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Tuition fees	194,540	245,954	297,690
Boarding fees	27,256	30,272	37,804
Ancillary services	3,021	8,920	29,511
	224,817	285,146	365,005
	224,817	285,146	365,005

22. TRADE PAYABLES

The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit time frame. As at 31 August 2014, 2015 and 2016, the trade payables were aged within 180 days.

23. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Consideration payable for the acquisition of Dongguan Guangzheng Preparatory School (<i>note</i>)	24,000	7,000	4,000
Discretionary government subsidies receipt in advance	–	4,775	5,224
Payables for land use right (<i>note</i>)	12,448	12,448	12,448
Accruals for construction	189,510	115,025	115,213
Payables to an independent third party relating to international programmes	2,824	2,071	1,285
Receipt on behalf of ancillary services providers	1,861	2,099	1,958
Deposits received	1,657	1,222	2,693
Other tax payables	2,015	4,224	6,304
Accrued staff benefits and payroll	31,541	30,868	24,044
Interest payable	9,683	9,283	995
Accrued operating expenses	1,009	3,894	4,751
Other payables	10,004	11,062	8,597
Accrued listing expenses	–	–	20,037
	286,552	203,971	207,549
	286,552	203,971	207,549

Note:

The amounts were interest free, unsecured and repayable on demand.

24. BORROWINGS

	2014 (RMB'000)	At 31 August 2015 (RMB'000)	2016 (RMB'000)
Borrowings:			
Bank			
– Secured	1,070,000	1,075,500	607,700
Trust financing arrangements with equity repurchase obligations	200,000	200,000	–
Total borrowings	<u>1,270,000</u>	<u>1,275,500</u>	<u>607,700</u>
Carrying amounts repayable:			
– Within one year	141,362	337,849	142,279
– More than one year, but not exceeding two years	297,849	118,849	119,279
– More than two years, but not exceeding five years	396,547	345,547	235,337
– More than five years	234,242	273,255	110,805
	<u>1,070,000</u>	<u>1,075,500</u>	<u>607,700</u>
Trust financing arrangements with equity repurchase obligations			
– Within one year	–	200,000	–
– More than one year, but not exceeding two years	200,000	–	–
	<u>200,000</u>	<u>200,000</u>	<u>–</u>
Less: Amounts due within one year shown under current liabilities	<u>(141,362)</u>	<u>(537,849)</u>	<u>(142,279)</u>
	<u>1,128,638</u>	<u>737,651</u>	<u>465,421</u>
The exposure of borrowings:			
– Fixed rate	390,000	390,000	23,000
– Variable rate	880,000	885,500	584,700
	<u>1,270,000</u>	<u>1,275,500</u>	<u>607,700</u>

The following table sets out details of the trust financing arrangements with equity repurchase obligation during the years ended 31 August 2014, 2015 and 2016:

	At 31 August			Principal amount (RMB'000)	Interest rate	Security	Duration
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)				
Huizhou Guangzheng	-	-	-	100,000	13.0%	75% equity interest of Huizhou Guangzheng	6 July 2011 to 30 May 2013
Panjin Guangzheng	200,000	200,000	-	200,000	12.0%	62.5% equity interest of Panjin Guangzheng	8 May 2014 to 8 May 2016

The Group has variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowing are as follows:

	At 31 August		
	2014	2015	2016
Effective interest rate:			
Fixed rates bank borrowings	7.3%	7.3%	4.6%
Variable-rate bank borrowings	6.4% – 8.4%	5.9% – 8.6%	4.8 – 6.9%
Fixed rates trust financing arrangements with equity repurchase obligations	12.0%	12.0%	-

Bank borrowings

The Group's bank borrowings are secured by the rights to receive the tuition fees and boarding fees of Dongguan Guangming School, Dongguan Primary School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, the land use rights held by 東莞市富盈十里銀灣建造有限公司 (Dongguan Chinese Silver Beach Construction Co., Limited*) ("Dongguan Chinese Silver Beach"), 重慶市富盈酒店有限公司 (Chongqing Chinese Hotel Co., Limited)* ("Chongqing Chinese Hotel"), 盤錦萬盈房地產開發有限公司 (Panjin Wanying Real Estate Development Co. Ltd.*) ("Panjin Wanying") and 盤錦盈天酒店有限公司 (Panjin Yintian Hotel Co. Limited*) ("Panjin Yintian") at no cost and the properties of Dongguan Chinese Real Estate and 東莞石碣富盈酒店有限公司 (Dongguan Shijie Chinese Hotel Co. Limited*) ("Dongguan Shijie Chinese Hotel") at no cost. Dongguan Chinese Silver Beach, Chongqing Chinese Hotel, Panjin Wanying, Panjin Yintian and Dongguan Shijie Chinese Hotel are controlled by Mr. Liu and related parties of the Group.

All the land use rights held by the related parties of the Group were released upon the repayment of bank loans in the current year.

The borrowings are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties at 31 August 2014, 2015 and 2016 are as follows:

Name of related parties	At 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu, Ms. Li and Mr. SP Liu	160,000	135,000	105,000
Mr. Liu, Mr. SP Liu, Chinese Group, Dongguan Chinese Real Estate, Mr. Liu Xuewen and Mr. Liu Xuewei (note i)	100,000	98,000	–
Mr. Liu, Ms. Li, Chinese Group and Dongguan Chinese Real Estate	100,000	175,000	169,700
Mr. Liu, Ms. Li and Dongguan Chinese Real Estate	200,000	200,000	–
Mr. Liu, Ms. Wang Lijuan, Ms. Li and Chinese Group (note ii)	20,000	20,000	10,000
Mr. Liu, Ms. Li, Mr. SP Liu and Chinese Group	500,000	457,500	300,000
Mr. Liu, Mr. SP Liu, Chinese Group and Dongguan Chinese Real Estate	190,000	190,000	–
Chinese Group	15,000	–	–

note i: Mr. Liu Xuewen and Mr. Liu Xuewei are close family members of Mr. Liu.

note ii: Ms. Wang Lijuan is the spouse of Mr. Liu.

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities. The guarantees by these related parties are expected to be fully released upon listing of the shares of the Company.

Trust financing arrangements

The Group entered into trust financing arrangements with Dongguan Trust, a trust financing company in the form of transferring equity interest of and issuing new paid-in capital of Huizhou Guangzheng and Panjin Guangzheng to the trust financing company with repurchase obligation at a fixed amount in a future date. Under this circumstance with the arrangement, the Group holds legal equity interests or board seats of Huizhou Guangzheng and Panjin Guangzheng at less than 50% during the trust financing period.

The operation environment and structure of Huizhou Guangzheng and Panjin Guangzheng require that all the major financial and operating policies are determined before trust financing arrangements are entered into. Huizhou Guangzheng and Panjin Guangzheng may not deviate from their approved purpose and design in any material respect. At the same time, according to various legal documents, including the articles of association of Huizhou Guangzheng and Panjin Guangzheng, the trust financing arrangement contracts, framework agreements and other agreements with the trust financing company, the Group retains the power to operate and manage Huizhou Guangzheng and Panjin Guangzheng in the ordinary course of business and the day-to-day management. The board seats and the veto/unilateral rights held by the trust financing company is considered as a protection to safeguard the creditor's rights.

In addition, pursuant to the trust financing arrangements, the Group has the obligations to repurchase the equity interests from the trust financing company for fixed amounts upon termination or expiry of the relevant trust financing arrangement. In light of such obligations to repurchase, the instruments are classified as financial liability. Accordingly, the trust financing company is only entitled to pre-determined fixed return as specified in the trust agreements, while the Group is entitled to majority beneficiary interests and bears risks from the operation of Huizhou Guangzheng and Panjin Guangzheng.

25. AMOUNTS DUE FROM (TO) RELATED PARTIES

Details of the current accounts with directors of the Company and related companies disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

The Group

	Relationship	At				Maximum amount outstanding during		
		1 September 2013 (RMB'000)	2014 (RMB'000)	At 31 August 2015 (RMB'000)	2016 (RMB'000)	Year ended 31 August 2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu (note i)	Controlling Equity Holders and director	31,046	120,424	149,877	50,691	120,424	214,735	235,222
Ms. Li (note i)	Controlling Equity Holders and director	84,968	77,811	54,221	41,478	84,968	77,811	54,221
Cinese Group (note ii) – borrowings	Controlled by Mr. Liu	468,380	1,014,409	1,163,021	212,171	1,014,409	1,163,201	1,163,021
Cinese Group (note ii)	Controlled by Mr. Liu	46,465	148,721	216,416	192,269	148,721	216,416	657,469
Dongguan Cinese Real Estate (note iii)	Controlled by Mr. Liu	2,000	–	–	44,228	2,000	–	44,228
東莞市富盛實業投資有限公司 Dongguan Fusheng Industrial Investment Co. Ltd.* (“Dongguan Fusheng”) (note iii)	Controlled by Ms. Li	266	266	266	266	266	266	266
東莞市富盈酒店有限公司 Dongguan Cinese Hotel Management Co. Ltd.* (“Dongguan Cinese Hotel”) (note iii)	Controlled by Mr. Liu	189,545	836	1,837	787	836	1,837	1,837
東莞市文峰建築工程有限公司 Dongguan Wenfeng Construction Co. Ltd.* (“Dongguan Wenfeng”) (note v)	Controlled by a close family member of Mr. Liu	5	–	–	8,940	–	–	8,941
		<u>822,675</u>	<u>1,362,467</u>	<u>1,585,638</u>	<u>550,830</u>			
Analysed for reporting purposes as:								
Current assets		725,363	287,537	1,486,418	550,830			
Non-current assets		97,312	1,074,930	99,220	–			
		<u>822,675</u>	<u>1,362,467</u>	<u>1,585,638</u>	<u>550,830</u>			

The Group

	Relationship	At 31 August		
		2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu (note i)	Controlling Equity Holders and director	(102,727)	(119,725)	(155,877)
Ms. Li (note i)	Controlling Equity Holders and director	(7,521)	(10,317)	(7,764)
Cinese Group (note ii)	Controlled by Mr. Liu	(147,625)	(145,307)	(25,715)
Dongguan Cinese Hotel (note iii)	Controlled by Mr. Liu	(300)	(313)	(247)
Dongguan Fusheng (note iii)	Controlled by Ms. Li	(200)	(200)	(200)
Dongguan Cinese Real Estate (note iii)	Controlled by Mr. Liu	–	(1,031)	–
Dongguan Shijie Cinese Hotel (note iii)	Controlled by Mr. Liu	–	–	(50)
東莞市萬盛房地產開發有限公司 Dongguan Wansheng Real Estate Development Co. Ltd.* (“Dongguan Wansheng Real Estate”) (note iii)	Controlled by Mr. Liu	(68,852)	(143,897)	(131,282)
東莞市興大教育投資有限公司 Dongguan Xingda Education Investment Co. Ltd.* (note iii)	Controlled by Ms. Li	(4,395)	(4,385)	(4,385)
東莞市合興教育投資有限公司 Dongguan Hexing Education Investment Co. Ltd.* (note iii)	Controlled by Ms. Li	(598)	(598)	(598)
東莞市富勤實業投資有限公司 Dongguan Fuqin Industrial Investment Co. Ltd.* (note iii)	Controlled by Ms. Li	(1,095)	(1,095)	(1,095)
東莞市盈威食品配送中心 Dongguan Yingwei Foods Co. Ltd.* (“Dongguan Yingwei”) (note iv)	Controlled by Mr. SP Liu	(1,229)	(2,449)	(7,162)
東莞市厚街長盈食品經營店 Dongguan Houjie Chang Ying Food Store* (“Dongguan Changying”) (note iv)	Controlled by Mr. SP Liu	(382)	(1,272)	(2,609)
東莞市厚街盈發副食店 Dongguan Houjie Yingfa Grocery Store* (“Dongguan Yingfa”) (note iv)	Controlled by a close family member of Mr. Liu	(388)	(653)	(1,186)
東莞市文峰建築工程有限公司 Dongguan Wenfeng Construction Co. Ltd.* (“Dongguan Wenfeng”) (note iv)	Controlled by a close family member of Mr. Liu	(1,596)	(1,596)	(1,618)
		(336,908)	(432,838)	(339,788)

The Company

	At 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Mr. Liu (note i)	(61)	(63)	(10,724)

Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

note i: The amounts due from/(to) directors represented advances from/(to) Mr. Liu and Ms. Li, directors of the Group as at 31 August 2014, 2015 and 2016.

Included in the amounts due from directors of the Group were advances provided by the Group to the directors with carrying amount of RMB151,039,000 as at 31 August 2014. These advances were unsecured, non-interest bearing and the management of the Company expected the advances would not be recovered within one year. The nominal value of the advances as at 31 August 2014 were RMB162,367,000 with effective interest rate of 7.5% per annum. The imputed interest income recognised in profit or loss for the year ended 31 August 2014, 2015 and 2016 were RMB7,298,000, RMB11,328,000, and nil respectively. As these advances were not expected to receive within one year, the amounts were classified as non-current assets.

The remaining amounts due from/(to) to directors are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

note ii: The amount due from Cinese Group mainly represented borrowings provided by the Group to Cinese Group with carrying amount of RMB1,014,409,000, RMB1,163,021,000 and RMB212,171,000, respectively as at 31 August 2014, 2015 and 2016. The borrowings were unsecured, non-interest bearing and repayable in two years terms. The nominal value of the borrowings as at 31 August 2014, 2015 and 2016 were RMB1,165,000,000 and RMB1,230,000,000 and RMB215,200,000 with effective interest rate of 9.4%, 8.2% and 8.2% per annum, respectively. The imputed interest income recognised in profit or loss for the year ended 31 August 2014, 2015 and 2016 was RMB34,923,000, RMB101,074,000 and RMB63,950,000, respectively.

The remaining amounts due from/(to) Cinese Group are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

note iii: The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

note iv: The amounts are trade in nature, unsecured, non-interest bearing and repayable on demand. As at 31 August 2014, 2015 and 2016, these amounts were aged within 180 days based on invoice date.

note v: The amounts due from Dongguan Wenfeng mainly represented prepayments for construction.

The outstanding balances with non-trade nature have been settled by the relevant parties/the Group subsequent to 31 August 2016.

26. DEFERRED TAXATION

The following are the major deferred taxation recognised and movements thereon during the Track Record Period:

	Revaluation of investment properties (RMB'000)	Fair value change of properties and prepaid lease payments (RMB'000)	Deferred tax arising on interest capitalisation (RMB'000)	Tax losses (RMB'000)	Others (RMB'000)	Total (RMB'000)
At 1 September 2013	2,173	(651)	830	–	–	2,352
Charge to profit or loss	157	13	1,263	–	185	1,618
At 31 August 2014	2,330	(638)	2,093	–	185	3,970
Charge to profit or loss	158	13	781	–	283	1,235
At 31 August 2015	2,488	(625)	2,874	–	468	5,205
Charge to profit or loss	622	13	2,592	(1,917)	114	1,424
At 31 August 2016	3,110	(612)	5,466	(1,917)	582	6,629

For the purpose of presentation of deferred tax assets and deferred tax liabilities, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	At 31 August		
	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)
Deferred tax assets	(666)	(677)	(2,775)
Deferred tax liabilities	4,636	5,882	9,404
	<u>3,970</u>	<u>5,205</u>	<u>6,629</u>

27. SHARE CAPITAL/PAID-IN CAPITAL

The Company

	Number of shares	Amount (US\$)	Amount (RMB)	Shown in the Financial Information as (RMB'000)
Ordinary shares of US\$1.00 each Authorised: At 1 September 2013, 31 August 2014, 2015 and 2016	<u>50,000</u>	<u>50,000</u>	<u>300,000</u>	<u>—</u>
Issued and fully paid: At 1 September 2013, 31 August 2014 and 2015	10	10	60	—
Issue of shares to shareholders (<i>note i</i>)	<u>90</u>	<u>90</u>	<u>590</u>	<u>—</u>
At 31 August 2016	<u>100</u>	<u>100</u>	<u>650</u>	<u>—</u>

Notes:

- i. During the year ended 31 August 2016, the Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment Co. Limited ("Bright Education Investment"), a company wholly owned by Ms. Li, respectively at nominal value. Bright Education Holdings then transferred eight shares in the Company to Bright Education Investment, upon which 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of the Company, respectively.
- ii. All the new shares issued rank pari passu with the then existing shares in issue.

The Group

The paid-in capital as at 31 August 2014 and 2015 represented the combined paid-in capital of the Consolidated Affiliated Entities. The share capital as at 31 August 2016 represented share capital of the Company following the completion of Reorganisation.

28. RESERVES**The Company**

	Accumulated losses (RMB'000)
At 1 September 2013	27
Other comprehensive expense and loss for the year	34
At 31 August 2014	61
Other comprehensive expense and loss for the year	2
At 31 August 2015	63
Other comprehensive expense and loss for the year	23,323
At 31 August 2016	23,386

29. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed 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 contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme for the Track Record Period are disclosed in note 10.

30. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 24, bank balance and cash, and equity attributable to owners of the Company, comprising capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts as well as the redemption of the existing debts.

31. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	The Group At 31 August			The Company At 31 August		
	2014	2015	2016	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Financial assets						
Other receivables	9,975	8,987	7,585	–	–	–
Amounts due from related parties	1,362,467	1,585,638	541,890	–	–	–
Bank balances and cash	13,071	12,229	103,705	–	–	–
Loans and receivables	1,385,513	1,606,854	653,180	–	–	–
Financial liabilities						
Trade and other payables	67,156	65,862	76,141	–	–	–
Amounts due to related parties	336,908	432,838	339,788	61	63	10,724
Amount due to a subsidiary	–	–	–	–	–	759
Borrowings	1,270,000	1,275,500	607,700	–	–	–
Liabilities measured at amortised cost	1,674,064	1,774,200	1,023,629	61	63	11,483

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, amounts due from related parties, bank balances and cash, trade payables, other payables, amounts due to related parties, and borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include interest rate risk, credit risk and liquidity risk.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and borrowings (note 24 for details of borrowings) which carried at prevailing market interest rates. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 August 2014, 2015 and 2016 would decrease/increase by RMB3,251,000, RMB3,275,000 and RMB1,804,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowings with variable rate.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the respective years.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables. In addition, the credit risk on amounts due from related parties are reduced as the Group can closely monitor the repayment of the related parties.

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

Liquidity risk

As of 31 August 2014, 2015 and 2016, the Group recorded net current liabilities of RMB683,180,000, RMB14,560,000 and RMB457,604,000, respectively. In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Group's net current liabilities as of 31 August 2016 primarily as a result of: (i) amounts due to related parties that are non-trade in nature, non-interest bearing and repayable on demand, which consist of advances from Chinese Group and other related parties and payables to related parties for the purchase of property, plant and equipment for the expansion or improvement of the schools; (ii) other payables and accrued expenses, which consist primarily of accruals for construction in connection with the maintenance and improvement of the school facilities, and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of short-term bank borrowings.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Group's cash flow projection, repayment from related parties, unutilised bank facilities and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Financial Information has been prepared on a going concern basis.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are of floating rates, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month (RMB'000)	1 – 3 months (RMB'000)	3 months to 1 year (RMB'000)	1 – 5 years (RMB'000)	Over 5 years (RMB'000)	Total undiscounted cash flows (RMB'000)	Carrying amount (RMB'000)
The Group								
Non derivative financial liabilities								
Other payables	–	67,156	–	–	–	–	67,156	67,156
Amounts due to related parties	–	336,908	–	–	–	–	336,908	336,908
Borrowings								
– fixed rate	9.8	3,156	6,312	28,403	427,871	–	465,742	390,000
– variable rate	8.3	6,091	12,181	196,177	565,587	253,679	1,033,715	880,000
At 31 August 2014		<u>413,311</u>	<u>18,493</u>	<u>224,580</u>	<u>993,458</u>	<u>253,679</u>	<u>1,903,521</u>	<u>1,674,064</u>
Non derivative financial liabilities								
Other payables	–	65,862	–	–	–	–	65,862	65,862
Amounts due to related parties	–	432,838	–	–	–	–	432,838	432,838
Borrowings								
– fixed rate	9.8	3,156	6,312	418,403	–	–	427,871	390,000
– variable rate	7.7	5,638	11,276	198,589	520,480	292,765	1,028,748	885,500
At 31 August 2015		<u>507,494</u>	<u>17,588</u>	<u>616,992</u>	<u>520,480</u>	<u>292,765</u>	<u>1,955,319</u>	<u>1,774,200</u>
Non derivative financial liabilities								
Other payables	–	76,141	–	–	–	–	76,141	76,141
Amounts due to related parties	–	339,788	–	–	–	–	339,788	339,788
Borrowings								
– fixed rate	4.6	88	175	23,788	–	–	24,051	23,000
– variable rate	6.3	2,899	5,798	137,601	382,233	116,234	644,765	584,700
At 31 August 2016		<u>418,916</u>	<u>5,973</u>	<u>161,389</u>	<u>382,233</u>	<u>116,234</u>	<u>1,084,745</u>	<u>1,023,629</u>
The Company								
Non derivative financial liabilities								
Amount due to a director at 31 August 2014	–	<u>61</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>61</u>	<u>61</u>
Non derivative financial liabilities								
Amount due to a director at 31 August 2015	–	<u>63</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>63</u>	<u>63</u>
Non derivative financial liabilities								
At 31 August 2016								
Amount due to a director	–	10,724	–	–	–	–	10,724	10,724
Amount due to a subsidiary	–	759	–	–	–	–	759	759
		<u>11,483</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,483</u>	<u>11,483</u>

(c) Fair value measurements of financial instruments

The fair value of the Group's and the Company's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

32. DISPOSALS OF SUBSIDIARIES

During the year ended 31 August 2016, the Group disposed of Dongguan Guangzheng Pharmaceutical, a subsidiary with 60% equity interest, Nantong Guangzheng and Dongguan Guangzheng Property, wholly-owned subsidiaries for a consideration of RMB600,000, RMB1,000,000 and RMB200,000, respectively.

Analysis of assets and liabilities over which control was lost:

	<i>(RMB'000)</i>
Bank balances and cash	30
Trade and other receivables	56
Inventories	3
Amounts due from related parties	4,744
Other payables	(794)
Amounts due to directors	(645)
Amounts due to related parties	(402)
	<hr/>
Net assets disposed of	2,992
	<hr/>
Consideration received or receivable:	
Deferred cash consideration	1,800
	<hr/>
Loss on disposal of subsidiaries:	
Consideration received or receivable	1,800
Net assets disposed of	(2,992)
Non-controlling interests	(229)
	<hr/>
Loss on disposal	(1,421)
	<hr/>
Included as:	
– loss on disposal of subsidiaries	(2,353)
– deemed contribution from equity holders <i>(note)</i>	932
	<hr/>
	(1,421)
	<hr/> <hr/>
<i>Note:</i> Nantong Guangzheng was sold to Mr. Liu and Ms. Li for RMB1,000,000. The gain on disposal is accounted for as a deemed contribution from equity holders.	
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(30)
	<hr/>
	(30)
	<hr/> <hr/>

33. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the Track Record Period:

	Year ended 31 August		
	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
Premises	3,502	4,814	5,787
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At 31 August		
	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
Within one year	3,181	4,788	4,701
In the second to fifth year inclusive	13,365	13,720	12,812
Over five years	37,965	35,302	34,543
	<u>54,511</u>	<u>53,810</u>	<u>52,056</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff apartments. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

The Group as lessor

Property rental income earned during the years ended 31 August 2014, 2015 and 2016 was RMB1,046,000, RMB896,000 and RMB1,043,000 respectively. The direct outgoings to generate property rental income is insignificant throughout the Track Record Period. Certain of the properties held have committed tenants for the next 6 years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 August		
	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
Within one year	896	1,043	1,116
In the second to fifth year inclusive	299	4,705	3,998
Over five years	–	409	–
	<u>1,195</u>	<u>6,157</u>	<u>5,114</u>

34. CAPITAL COMMITMENTS

	At 31 August		
	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	61,777	31,404	231,756

35. CONTINGENT LIABILITY

On 19 March 2015, an individual who is an independent third party, initiated court proceedings in relation to the advances he made on behalf of Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5,000,000 and the interests thereof. As of the date of this report, the outcome of this legal proceeding was yet to be finalised. In the opinion of the directors of the Company, after consultation of the external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision is made in the Financial Information.

36. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31 August 2014, 2015 and 2016, the Group entered into the following transactions with Mr. Liu, Mr. SP Liu, Mr. JF Liu and related parties, which are controlled by Mr. Liu and/or their close family members:

Related party	Relationship	Nature of transactions	Year ended 31 August		
			2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Dongguan Yingwei	Controlled by Mr. SP Liu	Purchase of goods	10,943	11,957	13,150
Dongguan Changying	Controlled by Mr. SP Liu	Purchase of goods	2,622	3,754	5,854
Dongguan Yingfa	Controlled by a close family member of Mr. Liu	Purchase of goods	1,656	2,987	3,661
Dongguan Chinese Hotel	Controlled by Mr. Liu	Hospitality expenses	45	364	1,263
Dongguan Wenfeng	Controlled by close family member of Mr. Liu	Construction expenses	504	5,158	48,674
Dongguan Chinese Real Estate	Controlled by Mr. Liu	Construction expenses	–	–	212,500
Mr. Liu	Controlling equity holder and director	Acquisition of a subsidiary	–	–	10
Mr. JF Liu	Close family member of Mr. Liu	Disposal of subsidiaries	–	–	720
Mr. SP Liu	Father of Mr. Liu	Disposal of a subsidiary	–	–	80
			–	–	80

During the year ended 31 August 2014, 2015 and 2016, the Group entered into the following construction contracts with related parties, which are controlled by Mr. Liu and/or his close family members:

Dongguan Wenfeng	Controlled by close family member of Mr. Liu	Contract amounts entered	5,351	29,937	51,774
Dongguan Chinese Real Estate	Controlled by Mr. Liu	Contract amounts entered	–	–	590,000
			–	–	590,000

In the opinion of the directors of the Company, except for the construction expenses paid to related parties, all other related party transactions will discontinue upon listing of the shares of the Company. The constructions are expected to complete not later than 31 August 2017.

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the Track Record Period are as follows:

	Year ended 31 August		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
Short-term benefits	1,695	1,989	3,669
Post-employment benefits	62	123	133
	1,757	2,112	3,802

Balances and other arrangement with related parties are set out in the consolidated statements of financial position on pages I-8 and I-9, consolidated statements of changes in equity on page I-10 and I-11 and in notes 19, 24 and 25 and 32.

B. SUBSEQUENT EVENTS

The following events took place subsequent to the reporting date:

On 20 December 2016, the Group entered into an agreement with Dongguan Chinese Real Estate to construct the school premises in Yunfu with contracted amount of approximately RMB250,000,000 to RMB300,000,000.

On 3 January 2017, the authorised share capital of the Company was increased by HK\$100,000,000 by the creation of 10,000,000,000 ordinary shares of a nominal value of HK\$0.01 each, following which the Company issued fully paid (i) 48,360 shares of a nominal value of HK\$0.01 each to Bright Education Holdings, and (ii) 29,640 shares of a nominal value of HK\$0.01 each fully paid to Bright Education Investment. On the same date, the Company repurchased and cancelled (i) 62 shares of a nominal value of US\$1.00 each registered in the name of Bright Education (Holdings) Co. Limited, and (ii) 38 shares of a nominal value of US\$1.00 each registered in the name of Bright Education Investment. Following the repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US\$1.00 each in the capital of the Company.

On 3 January 2017, written resolutions of the shareholders of the Company was passed to approve the below matters set out in "Appendix V – A. Further information about our Group – 3. Resolutions of the Shareholders of Our Company" to the Prospectus.

- (a) It was conditional upon the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of the offer shares by the Company pursuant to the global offering, the directors of the Company were authorised to allot and issue a total of 1,499,922,000 shares credited as fully paid at par to the persons whose names appear on the register of members of the Company at the close of business on 25 January 2017 (as nearly as possible without involving fractions) by way of capitalisation of such sum standing to the credit of the share premium account of the Company, and the shares to be allotted and issued shall rank pari passu in all respects with the existing issued shares.
- (b) It was conditional upon all the conditions set out in ("Structure of the Global Offering – Conditions of the Hong Kong Public Offering" of the Prospectus) being fulfilled:
 - (i) the global offering be approved and the directors of the Company be authorised to allot and issue the shares pursuant to the global offering;
 - (ii) the granting of the Over-allotment Option (as defined in the Prospectus) be approved;
 - (iii) the proposed Listing be approved.

On 3 January 2017, the Pre-IPO Share Option Scheme (as defined in the Prospectus) was conditionally approved and adopted by the Board, of which the principal terms are set out in “Appendix V – D. Share Option Schemes” to the Prospectus. As at 6 January 2017, 8,000,000 share options have been granted to Mr. Ng Cheuk Him, executive director, chief financial officer and company secretary of the Group under the Pre-IPO Share Option Scheme.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 August 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and is for information purposes only and does not form part of the accountants report on the historical financial information of the Group prepared by the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide the prospective investors with further information on how the proposed listing might have affected the net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on 31 August 2016.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 or any future date following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 August 2016 (RMB'000) ⁽¹⁾	Estimated net proceeds from the Global Offering (RMB'000) ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company (RMB'000)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share RMB ⁽³⁾ HK\$ ⁽⁴⁾	
Based on Offering price of HK\$1.70 (RMB1.46) per Share	830,775	684,890	1,515,665	0.76	0.88
Based on Offering price of HK\$2.28 (RMB1.96) per Share	830,775	927,070	1,757,845	0.88	1.02

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 31 August 2016 of approximately RMB830,775,000 as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 500,000,000 shares at the indicative Offer Price of lower limit and upper limit of HK\$1.70 (equivalent to RMB1.46) and HK\$2.28 (equivalent to RMB1.96) per Share, respectively, after deduction of estimated underwriter fees and other related expenses (excluding approximately RMB24,401,000 listing expenses which have been accounted for prior to 31 August 2016) and do not take into account any Share that may be issued pursuant to the exercise of the Over-allotment Option. The calculation of such estimated net proceeds also does not take into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in this prospectus. The proceeds from the Global Offering are converted from Hong Kong Dollars to Renminbi at an exchange rate of RMB0.8610 to HK\$1, the rate of The People's Bank of China prevailing on 31 August 2016. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

- (3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is based on 2,000,000,000 shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue. It does not take into account any share which may be issued upon the exercise of the Over-Allotment Option. In addition, it does not take into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sections headed “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” in this prospectus.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share are converted into Hong Kong Dollars at an exchange rate of RMB0.8610 to HK\$1, the rate of The People’s Bank of China prevailing on 31 August 2016. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.
- (5) No adjustments has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.

B. REPORTING ACCOUNTANTS' ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the additional unaudited pro forma financial information of our Group.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Wisdom Education International Holdings Company Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wisdom Education International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets as at 31 August 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 16 January 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on the Group's financial position as at 31 August 2016 as if the event had taken place at 31 August 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 August 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of 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 31 August 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 January 2017

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of Wisdom Education International Holdings Company Limited as at 31 December 2016.



16/F
Jardine House
1 Connaught Place
Central
Hong Kong

16 January 2017

The Directors
Wisdom Education International Holdings Company Limited
68 Guangming Road
Dongcheng District
Dongguan
Guangdong Province
the PRC

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with your instructions for us to value the property interests of Wisdom Education International Holdings Company 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 certificates), 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 December 2016.

Definition of Market Value

Our valuations of each of the properties represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). Market Value is defined by the IVSC 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 2012 Edition 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 arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

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, Commerce & Finance Law Offices (通商律師事務所) 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 certificates.

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 the property in Group I, which is held by the Group for investment in the PRC, we have used Investment Approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable sales evidences as available in the relevant market.

In valuing properties in Group II, which are held and occupied 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 properties in Group III and IV, which are held by the Group under development and for future development, we have valued it on the basis that it will be developed and completed in accordance with the latest development proposals provided to us by the Group (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuation, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the development. The “market value when completed” represents our opinion of the aggregate selling prices of the development assuming that it were completed as at the valuation date.

In valuing the properties in Group V, which are leased and occupied by the Group in 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 and its legal adviser, Commerce & Finance Law Offices (通商律師事務所) 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 certificates 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 regarding the Group's interests in the PRC properties.

Site Inspection

Our valuers, Mr. Victor Li and Mr. Jeffery Wang, inspected the exterior and, whenever possible, the interior of the properties in December 2015. Mr. Victor Li has about 2 years' experience in property valuation in the PRC. Mr. Jeffery Wang has about 10 years' experience in property valuation in the PRC and is a Registered China Real Estate Appraiser. 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 certificates.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S.
Regional Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 29 years of experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Group I – Property held by the Group for investment in the PRC

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
1. Units 1601 to 1608 of Huicheng Building, No. 102 Hongfu Road, Nancheng District, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市南城區鴻福路 102號匯成大廈1601 至1608單元	18,300,000	100	18,300,000
Sub-total of Group I:	<u>18,300,000</u>		<u>18,300,000</u>

Group II – Properties held and occupied by the Group in the PRC

2. Dongguan Guangming School, Guangming Road, Dongcheng District, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市東城區 光明大道東莞市光明中學	251,000,000	100	251,000,000
3. Dongguan Guangming Primary School, Guangming Road, Dongcheng District, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市東城區 光明大道東莞市光明小學	No commercial value	100	No commercial value

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
4. Dongguan Guangzheng Preparatory School, Zengbu Village, Chashan County, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市茶山鎮增埗村 東莞市光正實驗學校	239,000,000	100	239,000,000
5. The completed portion of Huizhou Guangzheng Preparatory School, Xia Village, Ruhu Town, Jiangbei District, Huicheng District, Huizhou, Guangdong Province, the PRC 中國廣東省惠州市惠城區江北區 汝湖鎮蝦村惠州市光正實驗學校 完工部分	No commercial value	100	No commercial value

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
6. The completed portion of Panjin Guangzheng Preparatory School, south of Youyi Street, east of Zhonghua Road, Xinglongtai District, Panjin, Liaoning Province, the PRC 中國遼寧省盤錦市興隆台區 中華路東友誼街南盤錦 光正實驗學校完工部分	No commercial value	100	No commercial value
7. The completed portion of Weifang Guangzheng Preparatory School, south of Xuanwu Street, west of Qingping Road, north of Lechuan Street, Kuiwen District, Weifang, Shandong Province, the PRC 中國山東省濰坊市奎文區 玄武街 以南、清平路以西、樂川街以北 濰坊光正實驗學校完工部分	No commercial value	100	No commercial value
Sub-total of Group II:	<u>490,000,000</u>		<u>490,000,000</u>

Group III – Properties held by the Group under development in the PRC

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
8. The under construction portion of Huizhou Guangzheng Preparatory School, Xia Village, Ruhu Town, Jiangbei District, Huicheng District, Huizhou, Guangdong Province, the PRC 中國廣東省惠州市惠城區江北區汝湖鎮蝦村惠州市光正實驗學校在建部分	No commercial value	100	No commercial value
9. The under construction portion of Weifang Guangzheng Preparatory School, south of Xuanwu Street, west of Qingping Road, north of Lechuan Street, Kuiwen District, Weifang, Shandong Province, the PRC 中國山東省濰坊市奎文區玄武街以南、清平路以西、樂川街以北濰坊光正實驗學校在建部分	No commercial value	100	No commercial value
Sub-total of Group III:	No commercial value		No commercial value

Group IV – Property held by the Group for future development in the PRC

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
10. The development site for Panjin Guangzheng Preparatory School, south of Youyi Street, east of Zhonghua Road, Xinglongtai District, Panjin, Liaoning Province, the PRC 中國遼寧省盤錦市興隆台區 中華路東友誼街南盤錦 光正實驗學校待建部分土地	No commercial value	100	No commercial value
11. The development site for portion of Weifang Guangzheng Preparatory School, south of Xuanwu Street, west of Qingping Road, north of Lechuan Street, Kuiwen District, Weifang, Shandong Province, the PRC 中國山東省濰坊市奎文區 玄武街以南、清平路以西、樂川 街以北濰坊光正實驗學校待建部 分土地	No commercial value	100	No commercial value
Sub-total of Group IV:	No commercial value		No commercial value

Group V – Properties leased and occupied by the Group in the PRC

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
12. Properties leased for Dongguan Guangming School, Guangming Road, Dongcheng District, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市東城區光明大道東莞市光明中學租賃物業	No commercial value	100	No commercial value
13. Properties leased for Dongguan Guangzheng Preparatory School, Zengbu Village, Chashan County, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市茶山鎮增埗村東莞市光正實驗學校租賃物業	No commercial value	100	No commercial value
14. Room 202, Unit 3, Building 12, District 2 of Jinxing Garden, 57 Liaohe South Road, Xinglongtai District, Panjin, Liaoning Province, the PRC 中國遼寧省盤錦市興隆台區遼河南路57號錦興花園2區12號樓3單元202號房	No commercial value	100	No commercial value

Property	Market value in existing state as at 31 December 2016 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 December 2016 (RMB)
15. Room 3-601, Building 3, Qingping Garden, 3197 Fushou West Road, Weicheng District, Weifang, Shandong Province, the PRC 中國山東省濰坊市濰城區 福壽西路3197號清平花園小區 3號樓3-601房	No commercial value	100	No commercial value
16. Room 1107, Block 9, First Street of Huijing Yuan, Country Garden City Garden, Foshan (Yunfu) Industrial Transfer Park, Duyang Town, San'an District, Yunfu, Guangdong Province, the PRC 中國廣東省雲浮市三安區 都楊鎮佛山(雲浮)產業轉移工業 園碧桂園城市花園匯景苑一街9座 1107號	No commercial value	100	No commercial value
Sub-total of Group V:	No commercial value		No commercial value
Grand total of Groups I to V:	508,300,000		508,300,000

VALUATION CERTIFICATE

Group I – Property held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
1. Units 1601 to 1608 of Huicheng Building, No. 102 Hongfu Road, Nancheng District, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市南城區鴻福路102號匯成大廈1601至1608單元	Completed in 2007, Huicheng Building is a 17-storey commercial building with 2 basements. The property comprises 8 office units on Level 16 of Huicheng Building with a total gross floor area of approximately 1,475.95 sq m. The property is held with land use rights for a term due to expire on 25 May 2055 for office use.	As at the valuation date, the property was leased to a single tenant for a term due to expire on 31 December 2020 at an annual rent of RMB1,115,818 from 1 January 2016 to 30 June 2018 and RMB1,227,400 from 1 July 2018 to 31 December 2020.	RMB18,300,000 (100% interest attributable to the Group: RMB18,300,000)

Notes:

- (1) According to eight Real Estate Title Certificates issued by 東莞市房產管理局 (Bureau of Housing Management of Dongguan Municipality), the land use rights and building ownership of the property have been vested in 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) with details as follows:

No.	Certificate No.	Date of Issue	Location in Huicheng Building	Gross floor area (sq m)
1	0400036704	3-Jul-2009	Unit 1601	173.70
2	0400041756	16-Jul-2009	Unit 1602	171.98
3	0400041759	16-Jul-2009	Unit 1603	243.65
4	0400041760	16-Jul-2009	Unit 1604	171.98
5	0400041757	16-Jul-2009	Unit 1605	173.70
6	0400041755	16-Jul-2009	Unit 1606	168.28
7	0400041761	16-Jul-2009	Unit 1607	188.17
8	0400041758	16-Jul-2009	Unit 1608	184.49
Total:				1,475.95

- (2) According to Business License No. 441900000068478 dated 13 October 2014, 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) has been established with a registered capital of RMB83,400,000 and a valid operation period since 10 October 2002.

- (3) 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 Real Estate Title Certificates of the property are legal, valid and enforceable under the PRC laws;
- (ii) The land use rights and building ownership of the property have been vested in 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.); and
- (iii) 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

- (4) 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
Business License	Yes

- (5) Our major assumptions in our valuation method are as follows:

Use	Average market monthly unit rent (RMB/sq m)	Capitalisation rate
Office	64	5.5%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The monthly rental levels of those major lettings of office properties with range from approximately RMB50 per sq m to RMB80 per sq m.

We have gathered and analysed various recent sales transactions of office properties and noted that the capitalisation rates implied in those transactions are generally within the range from 5% to 6% for office premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates used are reasonable having regard to the capitalisation rates analysed from sales of comparable properties which we have collected.

VALUATION CERTIFICATE

Group II – Properties held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016														
2. Dongguan Guangming School, Guangming Road, Dongcheng District, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市東城區光明大道東莞市光明中學	<p>The property is a school developed on three parcels of adjoining land with a total site area of approximately 135,247.21 sq m.</p> <p>Completed in the period between 2003 and 2008, the property comprises various office buildings, teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 138,429.30 sq m.</p> <p>For portion of the property with a total gross floor area of approximately 120,623.28 sq m, relevant certificates and approval in respect of construction issued by the government have been obtained with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Buildings</td> <td>23,940.81</td> </tr> <tr> <td>Dormitories</td> <td>49,264.00</td> </tr> <tr> <td>Experimental Building</td> <td>11,564.58</td> </tr> <tr> <td>Office Buildings</td> <td>24,232.19</td> </tr> <tr> <td>Literature and Art Building</td> <td>11,621.70</td> </tr> <tr> <td>Total</td> <td>120,623.28</td> </tr> </tbody> </table> <p>Such certificates and approval have not been obtained for the remaining buildings with a total gross floor area of approximately 17,806.02 sq m.</p> <p>The property is held with land use rights for terms due to expire on 19 February 2053 for education use.</p>	Use	Approximate gross floor area (sq m)	Teaching Buildings	23,940.81	Dormitories	49,264.00	Experimental Building	11,564.58	Office Buildings	24,232.19	Literature and Art Building	11,621.70	Total	120,623.28	As at the valuation date, the property was occupied by the Group as a school.	RMB251,000,000 (100% interest attributable to the Group: RMB251,000,000)
Use	Approximate gross floor area (sq m)																
Teaching Buildings	23,940.81																
Dormitories	49,264.00																
Experimental Building	11,564.58																
Office Buildings	24,232.19																
Literature and Art Building	11,621.70																
Total	120,623.28																

Notes:

- (1) We have ascribed no commercial value to the portion of the property with a total gross floor area of approximately 17,806.02 sq m that relevant certificates and approval from the government in respect of the construction have not been obtained.

- (2) According to three State-owned Land Use Rights Certificates all issued by 東莞市人民政府 (Dongguan Peoples' Government), the land use rights of the property with a total site area of 135,247.21 sq m have been vested in 東莞市光正實業投資有限公司 (Dongguan Guangzheng Investment Enterprise Co., Ltd.) for education use with details as follows:

No.	Certificate No.	Date of issue	Land use	Expiry date of land use term	Site area (sq m)
1	(2003) 115	26-Mar-2003	Education	19-Feb-2053	28,245.76
2	(2003) 116	26-Mar-2003	Education	19-Feb-2053	51,918.00
3	(2003) 117	26-Mar-2003	Education	19-Feb-2053	55,083.45
Total:					<u><u>135,247.21</u></u>

- (3) According to six Real Estate Title Certificates issued by 東莞市房產管理局 (Bureau of Housing Management of Dongguan Municipality), the land use rights and building ownership of the property have been vested in 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) with details as follows:

No.	Certificate No.	Date of Issue	Location in Dongguan Guangming School	Gross floor area (sq m)
1	0200949203	20-May-2016	Experimental Literature and Art Building	11,621.70
2	0200949204	20-May-2016	Teaching Building	11,822.88
3	0200949205	20-May-2016	Office Building	17,821.43
4	0200954200	30-May-2016	Office Building Phase 2	6,410.76
5	0200954201	30-May-2016	Teaching Building Phase 2	12,117.93
6	0200954202	30-May-2016	Experimental Building	11,564.58
Total:				<u><u>71,359.28</u></u>

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 67,070.00 sq m.

- (4) According to three Planning Permits for Construction Use of Land issued by 東莞市城市規劃局 (Construction Planning Bureau of Dongguan Municipal), the construction site of land with a site area of 135,247.00 sq m are in compliance with the urban planning requirements and have been approved with the following details:

No.	Certificate No.	Date of issue	Project Name in Guangming School	Land area (sq m)
1	02988	11-Dec-2002	Junior High School Teaching Area	55,087.00
2	02989	11-Dec-2002	Living Quarters	28,245.00
3	02990	11-Dec-2002	Teaching Area	51,915.00
Total:				<u><u>135,247.00</u></u>

- (5) According to eight Planning Permits for Construction Works issued by 東莞市城建規劃局 (Planning Bureau of Dongguan Municipal), the subject development, situated at Guangming Road, Dongcheng District with a total gross floor area of 97,776.10 sq m are in compliance with the urban planning requirements and have been approved with details as follows:

No.	Certificate No.	Date of issue	Project Name in Guangming School	Construction Scale (sq m)
1	A2003035	29-Jan-2003	Office Building	12,182.00
2	A2003036	29-Jan-2003	Office Building	17,924.00
3	A2003037	29-Jan-2003	Experimental Literature and Art Building	11,805.00
4	A2003038	29-Jan-2003	Corridor A/B	1,379.00
5	A2004112	2-Jun-2004	Experimental Building Phase 2	12,541.90
6	A2004113	2-Jun-2004	Teaching Building Phase 2	13,208.10
7	A2004114	2-Jun-2004	Dormitory Building Phase 2	21,110.00
8	A2004115	2-Jun-2004	Office Building Phase 2	7,626.10
Total:				97,776.10

- (6) According to nine Permits for Commencement of Construction Works issued by 東莞市建設局 (Construction Bureau of Dongguan Municipal), the subject development is in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	Certificate No.	Date of issue	Project Name in Guangming School	Construction Scale (sq m)
1	441900200302120301	12-Feb-2003	Teaching Building	12,182.00
2	441900200302120401	12-Feb-2003	Comprehensive Office Building Frame	17,924.00
3	441900200302120501	12-Feb-2003	Literature and Art Building	11,805.00
4	441900200302120601	12-Feb-2003	Corridor A/B	N/A
5	441900200303060301	06-Mar-2003	Living Quarters Dormitory Building	30,224.00
6	441900200503070401	07-Mar-2005	Dormitory Building Phase 2	19,040.00
7	441900200503070501	07-Mar-2005	Teaching Building Phase 2	13,692.90
8	441900200503070601	07-Mar-2005	Experimental Building Phase 2	11,967.45
9	441900200503070701	07-Mar-2005	Office Building Phase 2	6,928.41
Total:				123,763.76

- (7) According to four Proof Reports of Completion and Acceptance for Construction Works issued by 東莞市建設局 (Construction Bureau of Dongguan Municipal), the subject development with a total gross floor area of 123,763.76 sq m have been completed with details as follows:

No.	Certificate No.	Date of issue	Project Name in Guangming School	Construction Scale (sq m)
1	441900200711200001	20-Nov-2007	Dormitory Building Phase 2	19,040.00
2	441900200711200002	20-Nov-2007	Experimental Building Phase 2	11,967.45
3	441900200711280006	28-Nov-2007	Teaching Building Phase 2	13,692.90
4	441900200711280007	28-Nov-2007	Office Building Phase 2	6,928.41
Total:				51,628.76

- (8) According to Business License No. 441900000068478 dated 13 October 2014, 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) has been established with a registered capital of RMB83,400,000 and a valid operation period since 10 October 2002.

- (9) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Rights Certificates 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 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.);
 - (iii) 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) is the legal land user of the property;
 - (iv) 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and
- (10) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificates	Yes
Real Estate Title Certificates	Yes
Planning Permits for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Proof Reports of Completion and Acceptance for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016														
3. Dongguan Guangming Primary School, Guangming Road, Dongcheng District Dongguan, Guangdong Province, the PRC 中國廣東省東莞市 東城區光明大道 東莞市光明小學	<p>The property is a school developed on seven parcels of adjoining land with a total site area of approximately 24,192.04 sq m.</p> <p>Completed in the period between 2008 and 2010, the property comprises various office buildings, teaching buildings, dormitories and related ancillary facilities.</p> <p>As advised by the Group, the property has a total gross floor area of approximately 69,471.88 sq m with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Teaching Building</td> <td>20,962.30</td> </tr> <tr> <td>Office Building</td> <td>3,747.70</td> </tr> <tr> <td>Art Building</td> <td>15,209.60</td> </tr> <tr> <td>Experimental Building</td> <td>4,114.00</td> </tr> <tr> <td>Dormitories</td> <td>25,438.28</td> </tr> <tr> <td>Total</td> <td>69,471.88</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq m)	Teaching Building	20,962.30	Office Building	3,747.70	Art Building	15,209.60	Experimental Building	4,114.00	Dormitories	25,438.28	Total	69,471.88	As at the valuation date, the property was occupied by the Group as a school.	No commercial value
Use	Approximate Gross Floor Area (sq m)																
Teaching Building	20,962.30																
Office Building	3,747.70																
Art Building	15,209.60																
Experimental Building	4,114.00																
Dormitories	25,438.28																
Total	69,471.88																
	<p>Relevant certificates and approval in respect of the construction of the property have not been obtained from the government.</p> <p>The property is held with collectively-owned land use rights (For details, please see Note (2)).</p>																

Notes:

- (1) As advised by the Group, the Land Use Right Certificates for the property had not been obtained since the procedures for purchasing collectively-owned Land use right had not been completed. We have ascribed no commercial value to the property.

- (2) According to Transfer Contract of Collective-owned Land Use Rights entered into between 東莞市康華信用擔保有限公司 (Dongguan Kanghua Credit Guarantee Co., Ltd.) (the Transferor) and 東莞市光正實業投資有限公司 (Dongguan Guangzheng Investment Enterprise Co., Ltd.) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : The intersection of Guangming First Ring Road and Second Ring Road, Dongcheng District, Dongguan City
- (ii) Site area : 11,700.00 sq m
- (iii) Consideration : RMB8,190,000

According to Transfer Contract of Collective-owned Land Use Rights entered into between 吳澤森 (the Transferor) and 東莞市光正實業投資有限公司 (Dongguan Guangzheng Investment Enterprise Co., Ltd.) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : The intersection of Guangming First Ring Road and Second Ring Road, Dongcheng District, Dongguan City
- (ii) Site area : 4,157.00 sq m
- (iii) Consideration : RMB12,500,000

According to Transfer Contract of Collective-owned Land Use Rights entered into between 朱仕花 (the Transferor) and 東莞市光正實業投資有限公司 (Dongguan Guangzheng Investment Enterprise Co., Ltd.) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : 48 Puxin Village, Dongcheng District, Dongguan City
- (ii) Site area : 1,355.00 sq m
- (iii) Consideration : RMB7,000,000

According to Transfer Contract of Collective-owned Land Use Rights entered into between 溫勝田 (the Transferor) and 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : East of Guangming Primary School, Puxin Village, Dongcheng District, Dongguan City
- (ii) Site area : 212.00 sq m
- (iii) Consideration : RMB148,400

According to Transfer Contract of Collective-owned Land Use Rights entered into between 溫勝田 (the Transferor) and 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : East of Guangming Primary School, Puxin Village, Dongcheng District, Dongguan City
- (ii) Site area : 455.00 sq m
- (iii) Consideration : RMB318,500

According to Transfer Contract of Collective-owned Land Use Rights entered into between 鄧志堅 (the Transferor) and 東莞市光明小學 (Dongguan Guangming Primary School) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : Puxin Village, Guangming Community, Dongcheng District, Dongguan City
- (ii) Site area : 2,138.44 sq m
- (iii) Consideration : RMB7,400,000

According to Transfer Contract of Collective-owned Land Use Rights entered into between 鄧日通 (the Transferor) and 東莞市光正實業投資有限公司 (Dongguan Guangzheng Investment Enterprise Co., Ltd.) (Transferee), the Transferor has agreed to grant the land use rights of the property to the Transferee with the details as follows:

- (i) Location : Guangming Management District, Dongcheng District, Dongguan City
- (ii) Site area : 4,174.60 sq m
- (iii) Consideration : RMB8,000,000

(3) According to Business License No. 441900000068478 dated 13 October 2014, 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) has been established with a registered capital of RMB83,400,000 and a valid operation period since 10 October 2002.

(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) 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) and 東莞市光明小學 (Dongguan Guangming Primary School) have submitted application for the Land Use Right Certificates. According to the PRC Legal Opinion, the Land Use Right Certificate will be issued by the relevant departments upon completion of the application procedures; and
- (ii) 廣東光正教育集團有限公司 (Guangdong Guangzheng Educational Group Co., Ltd.) and 東莞市光明小學 (Dongguan Guangming Primary School) have the right to freely occupy and use the land use rights and building ownership of the property.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Transfer Contracts of Collective-owned Land Use Rights	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016										
4. Dongguan Guangzheng Preparatory School, Zengbu Village, Chashan County, Dongguan, Guangdong Province, the PRC 中國廣東省東莞市 茶山鎮增埗村 東莞市光正實驗 學校	<p>The property is a school developed on three parcels of adjoining land with a total site area of approximately 193,265.27 sq m.</p> <p>Completed in the period between 2003 and 2015, the property comprises various office buildings, teaching buildings, dormitories and related ancillary facilities. The property has a total gross floor area of approximately 138,525.27 sq m.</p> <p>For portion of the property with a total gross floor area of approximately 76,379.78 sq m, relevant certificates and approval in respect of construction issued by the government have been obtained with details as follows:</p>	<p>As at the valuation date, the property was occupied by the Group as a school.</p>	<p>RMB239,000,000 (100% interest attributable to the Group: RMB239,000,000)</p>										
	<table border="1"> <thead> <tr> <th data-bbox="477 1027 512 1049">Use</th> <th data-bbox="679 974 815 1081">Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="477 1112 671 1134">Teaching Buildings</td> <td data-bbox="715 1112 815 1134">30,743.85</td> </tr> <tr> <td data-bbox="477 1144 555 1166">Canteen</td> <td data-bbox="722 1144 815 1166">8,083.70</td> </tr> <tr> <td data-bbox="477 1176 592 1198">Dormitories</td> <td data-bbox="715 1176 815 1198">37,552.23</td> </tr> <tr> <td data-bbox="477 1240 528 1261">Total</td> <td data-bbox="715 1240 815 1261"><u>76,379.78</u></td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq m)	Teaching Buildings	30,743.85	Canteen	8,083.70	Dormitories	37,552.23	Total	<u>76,379.78</u>		
Use	Approximate Gross Floor Area (sq m)												
Teaching Buildings	30,743.85												
Canteen	8,083.70												
Dormitories	37,552.23												
Total	<u>76,379.78</u>												
	<p>Such certificates and approval have not been obtained for the remaining buildings with a total gross floor area of approximately 62,145.49 sq m.</p> <p>The property is held with land use rights for terms of 50 years for education use. (For details, please see Note (2)).</p>												

Notes:

- (1) We have ascribed no commercial value to the portion of the property with a total gross floor area of approximately 62,145.49 sq m that relevant certificates and approval from the government in respect of the construction have not been obtained.

- (2) According to three State-owned Land Use Rights Certificates all issued by 東莞市人民政府 (Dongguan Peoples' Government), the land use rights of the property with a total site area of 193,265.27 sq m have been vested in 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School) for education use with details as follows:

No.	Certificate No.	Date of issue	Land use	Expiry date of land use term	Site area (sq m)
1	(2005)1522	16-Jul-2013	Public Building	27-Mar-2055	131,211.65
2	(2006)882	16-Jul-2013	Education	19-Mar-2056	15,269.87
3	(2007)68	16-Jul-2013	Education	19-Mar-2056	46,783.75
Total:					193,265.27

- (3) According to eight Real Estate Title Certificates issued by 東莞市房產管理局 (Bureau of Housing Management of Dongguan Municipality), the land use rights and building ownership of the property have been vested in 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School) with details as follows:

No.	Certificate No.	Date of Issue	Location in Dongguan Guangzheng Preparatory School	Gross floor area (sq m)
1	3300965574	17-June-2016	Teaching Building A	10,247.95
2	3300965575	17-June-2016	Teaching Building A1	10,247.95
3	3300965576	17-June-2016	Teaching Building A2	10,247.95
4	3300965577	17-June-2016	Dormitory A	7,592.86
5	3300965575	17-June-2016	Dormitory A1	7,592.86
6	3300965579	17-June-2016	Dormitory A2	7,592.86
7	3300965580	17-June-2016	Dormitory B	7,387.65
8	3300965581	17-June-2016	Dormitory C	7,386.00
Total:				68,296.08

Real Estate Title Certificates have not been obtained for portion of the property with a total gross floor area of 70,229.49 sq m.

- (4) According to Planning Permit for Construction Use of Land No. 2004-29-10008 issued by 東莞市城建規劃局 (Construction Planning and Construction Bureau of Dongguan Municipal) on 5 March 2004, the construction site of land with a site area of 327,314.70 sq m are in compliance with the urban planning requirements and have been approved.
- (5) According to Planning Permit for Construction Works No. 2004-29-10005 issued by 東莞市城建規劃局 (Construction Planning and Construction Bureau of Dongguan Municipal) on 5 March 2004, the construction works situated Zengbu Village, Chashan County, with a total gross floor area of 8,084.00 sq m are in compliance with the urban planning requirements and have been approved.
- (6) According to three Permits for Commencement of Construction Works issued by 東莞市建設局 (Construction Bureau of Dongguan Municipal), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	Certificate No.	Date of issue	Project Name	Construction Scale (sq m)
1	441900200406301001	30-Jun-2004	Canteen	8,083.70
2	441900200406300801	30-Jun-2004	Teaching Building A, A1, A2	32,199.00
3	441900200406300901	30-Jun-2004	Student Dormitories A, B, C	43,781.70
Total:				84,064.40

- (7) According to two Proof Reports of Completion and Acceptance for Construction Works issued by 東莞市建設局 (Construction Bureau of Dongguan Municipal), the subject development with a total gross floor area of 69,127.26 sq m have been completed with details as follows:

No.	Certificate No.	Date of issue	Project Name	Construction Scale (sq m)
1	441900200806190001	19-Jun-2008	Zengbu Village, Chashan County	32,199.00
2	441900200806200003	20-Jun-2008	Zengbu Village, Chashan County	36,928.26
Total:				69,127.26

- (8) According to Registration Certificate of Private Non-enterprise Entities No. 010475 dated 25 November 2013, 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School) has been established with a registered capital of RMB50,434,793.86 and a valid operation period from 25 November 2013 to 29 November 2017.

- (9) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The State-owned Land Use Rights Certificates 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 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School);
- (iii) 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School) is the legal land user of the property; and
- (iv) 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

- (10) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificates	Yes
Real Estate Title Certificates	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Proof Reports of Completion and Acceptance for Construction Works	Yes
Registration Certificate of Private Non-enterprise Entities	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
5. The completed portion of Huizhou Guangzheng Preparatory School, Xia Village, Ruhu Town, Jiangbei District, Huicheng District, Huizhou, Guangdong Province, the PRC 中國廣東省惠州市惠城區江北區汝湖鎮蝦村惠州市光正實驗學校完工部分	Upon completion, Huizhou Guangzheng Preparatory School is a school developed on a parcel of land with a total site area of approximately 64,321.10 sq m. Completed in the period between 2013 and 2015, the property comprises the completed portion of Huizhou Guangzheng Preparatory School and comprises various teaching buildings, dormitories and related ancillary facilities. As advised by the Group, the property has a total gross floor area of approximately 63,988.76 sq m with details as follows:	As at the valuation date, the property was occupied by the Group as a school.	No commercial value
	Approximate gross floor area		
	Use		
		(sq m)	
	Teaching Buildings	22,913.39	
	Student Dormitories	41,075.37	
	Total	63,988.76	
	The property is held with allocated land use rights for education use.		

Notes:

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificate No. (2014)13020100008 issued by 惠州市人民政府 (Huizhou Peoples' Government) on 2 April 2014, the land use rights of the property with a total site area of 64,321.10 sq m have been allocated to 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) for education use.
- (3) According to three Real Estate Title Certificates issued by 惠州市房產管理局 (Bureau of Housing Management of Huizhou Municipality), the land use rights and building ownership of the property have been vested in 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) with details as follows:

No.	Certificate No.	Date of Issue	Location in Huizhou Guangzheng Preparatory School	Gross floor area (sq m)
1	100380113	1-April-2016	Primary School Teaching Building	22,913.39
2	100380114	1-April-2016	Dormitory	12,627.64
3	100380117	1-April-2016	Dormitory	28,447.73
			Total:	63,988.76

- (4) According to Planning Permit for Construction Use of Land issued by 惠州市住房和城鄉規劃建設局 (Housing & Urban and Rural Planning Bureau of Huizhou Municipal) on 13 April 2012, the construction site of land with a site area of 179,575.00 sq m are in compliance with the urban planning requirements and have been approved.
- (5) According to four Planning Permits for Construction Works issued by 惠州市住房和城鄉規劃建設局 (Housing & Urban and Rural Planning Bureau of Huizhou Municipal), the construction works, situated Xia Village, Ruhu Town, Jiangbei District, Huicheng District, with a total gross floor area of 97,776.10 sq m are in compliance with the urban planning requirements and have been approved with details as follows:

No.	Certificate No.	Date of issue	Project Name	Construction Scale (sq m)
1	441302(2013)10149	14-Mar-2013	Primary School Teaching Building	21,180.00
2	441302(2013)10150	14-Mar-2013	Primary School Dormitory Building	26,969.00
3	441302(2013)10151	14-Mar-2013	Senior High School Dormitory Building	11,782.00
4	441302(2013)10602	06-Sep-2013	Junior High School Teaching Building	32,679.00
Total:				92,610.00

- (6) According to two Permits for Commencement of Construction Works issued by 惠州市惠城區城鄉規劃建設局 (Urban and Rural Planning and Construction Bureau of Huicheng District, Huizhou Municipal), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	Certificate No.	Date of issue	Project Name	Construction Scale (sq m)
1	442501201306190101	12-Feb-2003	Primary School Teaching Building, Dormitory Building, Senior High School Dormitory Building	59,931.00
2	442501201404040101	04-Apr-2014	Junior High School Teaching Building	32,679.00
Total:				92,610.76

- (7) According to three Proof Reports of Completion and Acceptance for Construction Works issued by 惠州市住房和城鄉規劃建設局 (Housing & Urban and Rural Planning Bureau of Huizhou Municipal), the subject development with a total gross floor area of 12,193.20 sq m have been completed with details as follows:

No.	Certificate No.	Date of issue	Project Name	Construction Scale (sq m)
1	(2014)0054	21-Apr-2014	Senior High School Dormitory Building	1,736.90
2	(2014)0055	21-Apr-2014	Primary School Teaching Building	5,074.10
3	(2014)0056	21-Apr-2014	Primary School Dormitory Building	5,383.20
Total:				12,194.20

- (8) According to Business License No. 441300000084474 dated 21 July 2014, 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB20,000,000 and a valid operation period since 23 July 2009.

- (9) 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 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.);
 - (iii) 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) is the legal land user of the property; and
 - (iv) 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) has the right to freely occupy and use of the land use rights and building ownership of the property.
- (10) 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
Real Estate Title Certificates	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Proof Reports of Completion and Acceptance for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
6. The completed portion of Panjin Guangzheng Preparatory School, south of Youyi Street, east of Zhonghua Road, Xinglongtai District, Panjin, Liaoning Province, the PRC	Panjin Guangzheng Preparatory School is a school developed on two parcels of land with a total site area of approximately 206,340.70 sq m. Completed in 2014, the property comprises the completed portion of Panjin Guangzheng Preparatory School and comprises various teaching buildings, gymnasiums, dormitories and related ancillary facilities.	As at the valuation date, the property was occupied by the Group as a school.	No commercial value
中國遼寧省盤錦市興隆台區中華路東友誼街南盤錦光正實驗學校完工部分	The property has a total gross floor area of approximately 76,588.22 sq m with details as follows:		
	Approximate gross floor area		
	Use		
		<i>(sq m)</i>	
	Teaching Buildings	32,755.52	
	Gymnasiums	5,573.00	
	Kindergarten	5,900.00	
	Dormitories	31,879.70	
	Ancillary Facilities	480.00	
	Total	<u>76,588.22</u>	
	The property is held with allocated land use rights for education use.		

Notes:

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificates Nos. (2016)300124 and (2016)300125 issued by 盤錦市人民政府 (Panjin Peoples' Government) on 5 May 2016, the land use rights of the property with a total site area of 104,729.20 sq m and 101,611.50 sq m respectively have been allocated to 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) for education use.

- (3) According to two Planning Permits for Construction Use of Land issued by 盤錦市規劃局興隆台區分局 (Planning Bureau of Xinglongtai District, Panjin Municipal), the construction site of land with a site of 312,095.40 sq m are in compliance with the urban planning requirements and have been approved with the following details:

No.	Certificate No.	Date of issue	Project Name in Panjin Guangzheng Preparatory School	Construction Scale (sq m)
1	211100201330019	23-Aug-2013	Phase 1	132,225.70
2	211100201430002	26-Jan-2014	Phase 2	179,869.70
Total:				312,095.40

- (4) According to two Planning Permits for Construction Works issued by 盤錦市規劃局興隆台區分局 (Planning Bureau of Xinglongtai District, Panjin Municipal), the construction works, situated South of Youyi Street, East of Zhonghua Road, Xinglongtai District with a total gross floor area of 192,108.70 sq m are in compliance with the urban planning requirements and have been approved with details as follows:

No.	Certificate No.	Date of issue	Project Name in Panjin Guangzheng Preparatory School	Construction Scale (sq m)
1	211100201330045	11-Nov-2013	Phase 1	50,187.10
2	211100201430005	28-Feb-2014	Phase 2	141,921.60
Total:				192,108.70

- (5) According to Business License No. 130000400003614 dated 21 October 2011, 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB80,000,000 and a valid operation period since 13 March 2013.

- (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 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 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.);
- (iii) 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) is the legal land user of the property; and
- (iv) 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) has the right to freely occupy and use of the land use rights and building ownership of the property.

- (7) 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
Planning Permits for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
7. The completed portion of Weifang Guangzheng Preparatory School, south of Xuanwu Street, west of Qingping Road, north of Lechuan Street, Kuiwen District, Weifang, Shandong Province, the PRC	Upon completion, Weifang Guangzheng Preparatory School is a school erected on a parcel of land with a total site area of approximately 104,758.00 sq m. The property comprises the completed portion of Weifang Guangzheng Preparatory School. As advised by the Group, the property is completed in 2016 and has a total gross floor area of approximately 47,435.19 sq m with details as follows:–	As at the date of valuation, the property was occupied by the Group as a school.	No commercial value
中國山東省濰坊市奎文區玄武街以南、清平路以西、樂川街以北 濰坊光正實驗學校 完工部分	Use	Approximate Gross Floor Area (sq m)	
	Teaching Buildings	20,606.65	
	Dormitories and Canteen	26,648.22	
	Ancillary Facilities	180.32	
	Total	47,435.19	
	The property is held with allocated land use rights for education use.		

Notes:–

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificate No. (2016)B57 issued by 濰坊市人民政府 (Weifang Peoples' Government) on 14 July 2016, the land use rights of the property with a total site area of 104,758.00 sq m have been allocated to 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) for education use.
- (3) According to Planning Permit for Construction Use of Land No. 07022015WK018 issued by 濰坊市規劃局 (Planning Bureau of Weifang) on 28 December 2015, the construction site of land with a site area of 104,758.00 sq m and a construction scale of 94,823.50 sq m are in compliance with the urban planning requirements and have been approved.

- (4) According to 8 Planning Permits for Construction Works issued by 濰坊市規劃局 (Planning Bureau of Weifang), the construction works with a total gross floor area of 84,764.60 sq m are in compliance with the urban planning requirements and have been approved with details as follows:

No.	Certificate No.	Date of issue	Construction Scale (sq m)
1	3707022016WK067	2 August 2016	16,869.80
2	3707022016WK068	2 August 2016	180.32
3	3707022016WK069	2 August 2016	26,648.22
4	3707022016WK070	2 August 2016	3,858.67
5	3707022016WK071	2 August 2016	4,325.38
6	3707022016WK072	2 August 2016	6,060.63
7	3707022016WK073	2 August 2016	6,214.93
8	3707022016WK074	2 August 2016	20,606.65
Total			84,764.60

- (5) According to Business License No. 91370702MA3BX2CX19 dated 9 October 2015, 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB30,000,000 and a valid operation period since from 9 October 2015 to 8 October 2065.

- (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 of the property is legal and valid under the PRC laws;
- (ii) The land use rights and building ownership of the property have been vested in 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.);
- (iii) 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) is the legal land user of the property; and
- (iv) 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) has the right to freely occupy and use of the land use rights and building ownership of the property.

- (7) 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
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Group III – Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
8. The under construction portion of Huizhou Guangzheng Preparatory School, Xia Village, Ruhu Town, Jiangbei District, Huicheng District, Huizhou, Guangdong Province, the PRC 中國廣東省惠州市惠城區江北區汝湖鎮蝦村 惠州市光正實驗學校在建部分	Upon completion, Huizhou Guangzheng Preparatory School is a school developed on a parcel of land with a total site area of approximately 64,321.10 sq m. The property comprises the under construction portion Huizhou Guangzheng Preparatory School. Upon completion, the property will comprise teaching buildings with a planned gross floor area of approximately 32,679 sq m. As advised by the Group, the property is scheduled to be completed in 2017. The property is held with allocated land use rights for education use.	As at the valuation date, the property was under construction.	No commercial value

Notes:

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificate No. (2014)13020100008 issued by 惠州市人民政府 (Huizhou Peoples' Government) on 2 April 2014, the land use rights of the property with a total site area of 64,321.10 sq m have been allocated to 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) for education use.
- (3) According to Planning Permit for Construction Use of Land issued by 惠州市住房和城鄉規劃建設局 (Housing & Urban and Rural Planning Bureau of Huizhou Municipal) on 13 April 2012, the construction site of land with a site area of 179,575.00 sq m are in compliance with the urban planning requirements and have been approved.
- (4) According to Planning Permit for Construction Works No. 441302(2013)10602 issued by 惠州市住房和城鄉規劃建設局 (Housing & Urban and Rural Planning Bureau of Huizhou Municipal) dated 6 September 2013, the construction works, situated Xia Village, Ruhu Town, Jiangbei District, Huicheng District, with a total gross floor area of 32,679.00 sq m are in compliance with the urban planning requirements and have been approved.
- (5) According to Permit for Commencement of Construction Works No. 442501201404040101 issued by 惠州市惠城區城鄉規劃建設局 (Urban and Rural Planning and Construction Bureau of Huicheng District, Huizhou Municipal) dated 4 April 2014, the property is in compliance with the requirements for works commencement and have been permitted.
- (6) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB18,259,098 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB20,740,902.
- (7) According to Business License No. 44130000084474 dated 21 July 2014, 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB20,000,000 and a valid operation period since 23 July 2009.
- (8) 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 惠州市光正投資有限公司 (Huizhou Guangzheng Investment Co., Ltd.);

- (iii) 惠州市光正投资有限公司 (Huizhou Guangzheng Investment Co., Ltd.) is the legal land user of the property; and
- (iv) 惠州市光正投资有限公司 (Huizhou Guangzheng Investment Co., Ltd.) has the right to freely occupy and use of the land use rights and building ownership of the property.
- (9) 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
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
9. The under construction portion of Weifang Guangzheng Preparatory School, South of Xuanwu Street, West of Qingping Road, North of Lechuan Street, Kuiwen District, Weifang, Shandong Province, the PRC 中國山東省濰坊市奎文區玄武街以南、清平路以西、樂川街以北 濰坊光正實驗學校在建部分	Upon completion, Weifang Guangzheng Preparatory School is a school erected on a parcel of land with a total site area of approximately 104,758.00 sq m. The property comprises the under development portion of Weifang Guangzheng Preparatory School. As advised by the Group, the property is scheduled to be completed in 2017. Upon completion, the property will have a total gross floor area of approximately 37,329.41 sq m with details as follows:	As at the date of valuation, the property was under construction.	No commercial value
	Use	Approximate Gross Floor Area (sq m)	
	Teaching Buildings	6,214.93	
	Kindergarten	6,060.63	
	Gymnasiums	3,858.67	
	Dormitories & Canteen	16,869.80	
	Ancillary facilities	4,325.38	
	Total	37,329.41	
	The property is held with allocated land use rights for education use.		

Notes:

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificate No. (2016)B57 issued by 濰坊市人民政府 (Weifang Peoples' Government) on 14 July 2016, the land use rights of the property with a total site area of 104,758.00 sq m have been allocated to 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) for education use.
- (3) According to Planning Permit for Construction Use of Land No. 07022015WK018 issued by 濰坊市規劃局 (Planning Bureau of Weifang) on 28 December 2015, the construction site of land with a site area of 104,758.00 sq m and a construction scale of 94,823.50 sq m are in compliance with the urban planning requirements and have been approved.

- (4) According to 8 Planning Permits for Construction Works issued by 濰坊市規劃局 (Planning Bureau of Weifang), the construction works with a total gross floor area of 84,764.60 sq m are in compliance with the urban planning requirements and have been approved with details as follows:

No.	Certificate No.	Date of issue	Construction Scale (sq m)
1	3707022016WK067	2 August 2016	16,869.80
2	3707022016WK068	2 August 2016	180.32
3	3707022016WK069	2 August 2016	26,648.22
4	3707022016WK070	2 August 2016	3,858.67
5	3707022016WK071	2 August 2016	4,325.38
6	3707022016WK072	2 August 2016	6,060.63
7	3707022016WK073	2 August 2016	6,214.93
8	3707022016WK074	2 August 2016	20,606.65
Total			84,764.60

- (5) As advised by the Group, the total expended construction cost of the property as at the Valuation Date was RMB76,424,386 whilst the outstanding construction cost for completion of the property as at the Valuation Date was RMB38,212,193.
- (6) According to Business License No. 91370702MA3BX2CX19 dated 9 October 2015, 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB30,000,000 and a valid operation period from 9 October 2015 to 8 October 2065.
- (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 of the property is legal and valid under the PRC laws;
 - (ii) The land use rights and building ownership of the property have been vested in 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.);
 - (iii) 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) is the legal land user of the property; and
 - (iv) 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) 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 Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
10. The development site for portion of Panjin Guangzheng Preparatory School, south of Youyi Street, east of Zhonghua Road, Xinglongtai District, Panjin, Liaoning Province, the PRC	Panjin Guangzheng Preparatory School is a school developed on two parcels of land with a total site area of approximately 206,340.70 sq m. The property is the land portion of Panjin Guangzheng Preparatory School for future development. Upon completion, the property will comprise various teaching buildings, gymnasiums, dormitories and related ancillary facilities.	As at the date of valuation, the property was bare land.	No commercial value
中國遼寧省盤錦市興隆台區中華路東友誼街南盤錦光正實驗學校待建部分土地	The property will have a total gross floor area of approximately 235,507.18 sq m. The property is held with allocated land use rights for education use.		

Notes:

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificate Nos. (2016)300124 and (2016)300125 issued by 盤錦市人民政府 (Panjin Peoples' Government) on 5 May 2016, the land use rights of the property with a total site area of 104,729.20 sq m and 101,611.50 sq m respectively have been allocated to 盤錦光正投資有限公司 (Panjin Guangzheng Enterprise Co., Ltd.) for education use.
- (3) According to two Planning Permits for Construction Use of Land issued by 盤錦市規劃局興隆台區分局 (Planning Bureau of Xinglongtai District, Panjin Municipal), the construction site of land with a site of 312,095.40 sq m are in compliance with the urban planning requirements and have been approved with the following details:

No.	Certificate No.	Date of issue	Project Name in Panjin Guangzheng Preparatory School	Construction Scale (sq m)
1	211100201330019	23-Aug-2013	Phase 1	132,225.70
2	211100201430002	26-Jan-2014	Phase 2	179,869.70
Total:				312,095.40

- (4) According to two Planning Permits for Construction Works issued by 盤錦市規劃局興隆台區分局 (Planning Bureau of Xinglongtai District, Panjin Municipal), the construction works, situated South of Youyi Street, East of Zhonghua Road, Xinglongtai District with a total gross floor area of 192,108.70 sq m are in compliance with the urban planning requirements and have been approved with details as follows:

No.	Certificate No.	Date of issue	Project Name in Panjin Guangzheng Preparatory School	Construction Scale (sq m)
1	211100201330045	11-Nov-2013	Phase 1	50,187.10
2	211100201430005	28-Feb-2014	Phase 2	141,921.60
Total:				192,108.70

- (5) According to two Permits for Commencement of Construction Works issued by 盤錦市興隆台區住房和城鄉建設局 (Housing & Urban and Rural Construction Bureau of Xinglongtai District, Panjin Municipal), the property is in compliance with the requirements for works commencement and have been permitted with details as follows:

No.	Certificate No.	Date of issue	Project Name in Panjin Guangzheng Preparatory School	Construction Scale (sq m)
1	211103201512150101	15-December- 2015	Phase 2	43,352.70
2	211103201510270501	27-October-2015	Phase 1	33,235.52
Total:				76,588.22

- (6) According to Business License No. 130000400003614 dated 21 October 2011, 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB80,000,000 and a valid operation period since 13 March 2013.

- (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 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 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.);
- (iii) 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) is the legal land user of the property; and
- (iv) 盤錦光正投資有限公司 (Panjin Guangzheng Investment Co., Ltd.) 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
Planning Permits for Construction Use of Land	Yes
Planning Permits for Construction Works	Yes
Permits for Commencement of Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
11. The development site for portion of Weifang Guangzheng Preparatory School, South of Xuanwu Street, West of Qingping Road, North of Lechuan Street, Kuiwen District, Weifang, Shandong Province, the PRC 中國山東省 濰坊市奎文區 玄武街以南、 清平路以西、 樂川街以北 濰坊光正實驗 學校待建部分土地	Upon completion, Weifang Guangzheng Preparatory School is a school erected on a parcel of land with a total site area of approximately 104,758.00 sq m. The property comprises the land portion of Weifang Guangzheng Preparatory school for future development. The property will have a total gross floor area of approximately 22,419.80 sq m. The property is held with allocated land use rights for education use.	As at the date of valuation, the property was bare land.	No commercial value

Notes:

- (1) The land use rights of the property are allocated in nature. We have therefore ascribed no commercial value to the property.
- (2) According to Allocated Land Use Rights Certificate No. (2016)B57 issued by 濰坊市人民政府 (Weifang Peoples' Government) on 14 July 2016, the land use rights of the property with a total site area of 104,758.00 sq m have been allocated to 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) for education use.
- (3) According to Planning Permit for Construction Use of Land No. 07022015WK018 issued by 濰坊市規劃局 (Planning Bureau of Weifang) on 28 December 2015, the construction site of land with a site area of 104,758.00 sq m and a construction scale of 94,823.50 sq m are in compliance with the urban planning requirements and have been approved.
- (4) According to Business License No. 91370702MA3BX2CX19 dated 9 October 2015, 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) has been established as a limited company with a registered capital of RMB30,000,000 and a valid operation period since from 9 October 2015 to 8 October 2065.
- (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 is legal and valid under the PRC laws;
 - (ii) The land use rights and building ownership of the property have been vested in 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.);
 - (iii) 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) is the legal land user of the property; and
 - (iv) 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) has the right to freely occupy and use of the land use rights and building ownership of the property.
- (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
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

Group V – Properties leased and occupied by the Group in the PRC

Property	Description and particulars of tenancy	Market value in existing state as at 31 December 2016
<p>12. Properties leased for Dongguan Guangming School, Guangming Road, Dongcheng District, Dongguan, Guangdong Province, the PRC</p> <p>中國廣東省東莞市東城區 光明大道東莞市 光明中學租賃物業</p>	<p>The property comprises various properties leased for Dongguan Guangming School.</p> <p>The property comprises a parcel of land with a site area of 2,398.00 sq m occupied by Dongguan Guangming School for leisure and recreational activities, and various properties with a total gross floor area of approximately 63,008.31 sq m occupied as dormitories or apartments for students or staff.</p> <p>The property is leased from various independent third parties to 東莞市光明中學 (Dongguan Guangming School) with various expiry dates of tenancies from 30 October 2016 to 21 March 2036 at a total monthly rent of RMB248,633.</p> <p>According to the PRC legal opinion, the lessors have not provided the Building Ownership Certificates of the property and it is not certain whether the lessors are entitled to lease the property.</p> <p>The leases have not been registered in the relevant authority.</p>	No commercial value
<p>13. Properties leased for Dongguan Guangzheng Preparatory School, Zengbu Village, Chashan County, Dongguan, Guangdong Province, the PRC</p> <p>中國廣東省東莞市 茶山鎮增埗村 東莞市光正實驗學校 租賃物業</p>	<p>The property comprises various properties currently occupied by Dongguan Guangzheng Preparatory School as staff dormitories.</p> <p>The property has a gross floor area of 10,902 sq m and is currently occupied by the Group as staff dormitories.</p> <p>The property is leased from two independent third parties to 東莞市光正實驗學校 (Dongguan Guangzheng Preparatory School) under two tenancy agreements at a total monthly rent of RMB81,240 with various expiry dates of tenancies from 24 August 2017 to 24 August 2018.</p> <p>According to the PRC legal opinion, the lessors have not provided the Building Ownership Certificates of the property and it is not certain whether the lessors are entitled to lease the property.</p> <p>The leases have not been registered in the relevant authority.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and particulars of tenancy	Market value in existing state as at 31 December 2016
<p>14. Room 202, Unit 3, Building 12, District 2 of Jinxing Garden, 57 Liaohe South Road, Xinglongtai District, Panjin, Liaoning Province, the PRC</p> <p>中國遼寧省盤錦市興隆台區 遼河南路57號錦興花園2區 12號樓3單元202號房</p>	<p>The property comprises one room in Unit 3, Building 12, District 2 of Jinxing Garden.</p> <p>The property has a gross floor area of approximately 122.50 sq m and is currently occupied by the Group for office and staff dormitory use.</p> <p>The property is leased from an independent third party to 盤錦光正實驗學校 (Panjin Guangzheng Preparatory School) for a term of one year from 1 August 2016 to 31 July 2017 at a monthly rent of RMB9,000.</p> <p>According to the PRC legal opinion, the lessors have not provided the Building Ownership Certificates of the property and it is not certain whether the lessors are entitled to lease the property.</p> <p>The leases have not been registered in the relevant authority.</p>	No commercial value
<p>15. Room 3-601, Building 3, Qingping Garden, 3197 Fushou West Road, Weicheng District, Weifang, Shandong Province, the PRC</p> <p>中國山東省濰坊市濰城區 福壽西路3197號 清平花園小區3號樓3-601房</p>	<p>The property comprises one room in Building 3 of Qingping Garden.</p> <p>The property has a gross floor area of approximately 197.09 sq m and is currently occupied by the Group for residential use.</p> <p>The property is leased from an independent third party to 濰坊光正實驗學校投資有限公司 (Weifang Guangzheng Preparatory School Investment Co., Ltd.) for a term of one year from 10 November 2015 to 9 November 2016 at a monthly rent of RMB1,706. As advised by the Group, the lease is in the process of renewal.</p> <p>According to the PRC legal opinion, the lease has not been registered in the relevant authority.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and particulars of tenancy	Market value in existing state as at 31 December 2016
<p>16. Room 1107, Block 9, First Street of Huijing Yuan, Country Garden City Garden, Foshan (Yunfu) Industrial Transfer Park, Duyang Town, San'an District, Yunfu, Guangdong Province, the PRC</p> <p>中國廣東省雲浮市三安區 都楊鎮佛山(雲浮)產業轉移 工業園碧桂園城市花園 匯景苑一街9座1107號</p>	<p>The property comprises one room in Block 9, First Street of Huijing Yuan, Country Garden City Garden.</p> <p>The property has a gross floor area of approximately 104.53 sq m and is currently occupied by the Group for staff dormitory use.</p> <p>The property is leased from an independent third party to 雲浮市光正投資有限公司 (Yunfu Guangzheng Investment Co., Ltd.) for a term of one year from 23 August 2016 to 23 August 2017 at a monthly rent of RMB2,000.</p> <p>According to the PRC legal opinion, the lessors have not provided the Building Ownership Certificates of the property and it is not certain whether the lessors are entitled to lease the property.</p> <p>The leases have not been registered in the relevant authority.</p>	No commercial value

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 13 July 2010 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

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 3 January 2017 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) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect 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 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 Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether

directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) 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, 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 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 published daily and circulating generally in Hong Kong and 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 the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (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 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) 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.

(q) 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.

(r) 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.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V 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 GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands on 13 July 2010 as an exempted company with limited liability under the Cayman Companies Law. Our Company has established a principal place of business in Hong Kong at 36/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 17 November 2015. Mok Ming Wai has been appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong. The address for acceptance of service of process in Hong Kong of our Company is 36/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Pursuant to the written resolutions of our Shareholders passed on 12 May 2016, our Company name has been changed from “Bright Education Group Co. Ltd.” to “Wisdom Education Group Company Limited” and its dual foreign name has been changed from “光正教育(集團)有限公司” to “睿見教育集團有限公司”. On 10 June 2016, a certificate of registration of alteration of name of registered non-Hong Kong company has been issued to our Company with the name of Wisdom Education Group Company Limited (睿見教育集團有限公司).

Pursuant to the written resolutions of our Shareholders passed on 28 June 2016, our Company name has been changed from “Wisdom Education Group Company Limited” to “Wisdom Education International Holdings Company Limited” and its dual foreign name has been changed from “睿見教育集團有限公司” to “睿見教育國際控股有限公司”. On 4 August 2016, a certificate of registration of alteration of name of registered non-Hong Kong company has been issued to our Company with our current name of Wisdom Education International Holdings Company Limited (睿見教育國際控股有限公司).

As our Company was incorporated in the Cayman Islands, it operates subject to Cayman Islands laws and its constitutive documents comprising the Memorandum of Association and the Articles of Association. A summary of certain parts of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix IV to this prospectus.

2. Changes in Share Capital and Corporate Reorganisation

As at the date of incorporation of our Company, the authorised share capital of the Company was US\$50,000 divided into 50,000 shares with a par value of US\$1.0 each. The following alterations in the issued and paid up share capital of our Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) on 13 July 2010, Bright Education Holdings (a company wholly-owned by Mr. Liu) acquired one share in our Company from the incorporator at par and a further six shares in our Company were allotted and issued to Bright Education Holdings as fully-paid at nominal value; and (ii) three shares in our Company were allotted and issued to Bright Education Investment (a company wholly-owned by Ms. Li) as fully-paid at nominal value;
- (b) on 24 June 2016, our Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment respectively at nominal value. On the same day, Bright Education Holdings transferred eight shares in our Company to Bright Education Investment, upon which 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of our Company, respectively; and

- (c) on 3 January 2017, the authorised share capital of our Company was increased by HK\$100,000,000 by the creation of 10,000,000,000 ordinary shares of a nominal value of HK\$0.01 each, following which our Company issued (i) 48,360 shares of a nominal value of HK\$0.01 each fully paid to Bright Education Holdings (a company wholly-owned by Mr. Liu), and (ii) 29,640 shares of a nominal value of HK\$0.01 each fully paid to Bright Education Investment (a company wholly-owned by Ms. Li). On the same date, our Company repurchased and cancelled (i) 62 shares of a nominal value of US\$1.0 each registered in the name of Bright Education Holdings (a company wholly-owned by Mr. Liu), and (ii) 38 shares of a nominal value of US\$1.0 each registered in the name of Bright Education Investment (a company wholly-owned by Ms. Li). Following the repurchase, the authorised but unissued share capital of our Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US\$1.00 each in the capital of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Reorganisation. Please refer to the section headed “History and Development – Reorganisation” in this prospectus for details.

3. Resolutions of the Shareholders of Our Company

Pursuant to the resolutions of the our Shareholders passed on 3 January 2017:

- (a) our Company approved and adopted our Articles of Association with effect from the Listing Date;
- (b) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 1,499,922,000 Shares credited as fully paid at par to the persons whose names appear on the register of members of our Company at the close of business on 25 January 2017 (as nearly as possible without involving fractions) by way of capitalisation of such sum standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares;
- (c) conditional upon all the conditions set out in “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” of this prospectus being fulfilled:
- (i) the Global Offering be approved and our Directors be authorised to allot and issue the Shares pursuant to the Global offering;
- (ii) the granting of the Over-allotment Option be approved and our Directors be authorised to effect the same and to allot and issue the Shares upon the exercise of the Over-allotment Option;
- (iii) the proposed Listing be approved and our Directors be authorised to implement such Listing; and
- (iv) 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 that would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our

Company or any other option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal value of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, excluding the Shares which may be issued under the Over-allotment Option and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, and the aggregate nominal value of Shares repurchased by us under the authority referred to in sub-paragraph (v) below;

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may be issued under the Over-allotment Option and upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be repurchased pursuant to sub-paragraph (v) above.

Each of the general mandates referred to in sub-paragraphs (iv), (v) and (vi) above will expire at the earliest of:

- 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 our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

4. Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report as set out in Appendix I to this prospectus.

There has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I to this prospectus, our Company has no other subsidiaries.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 3 January 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and upon the exercise of the options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme), such mandate to expire at the earliest of (i) 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), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the Memorandum and the Articles of Association and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Subject to the foregoing, any repurchases by our Company may be made out of funds of our Company otherwise available for dividend or distribution, out of the Company's share premium account or out of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the funds of our Company otherwise available for dividend or distribution or from sums standing to the credit of the share premium account of our Company or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments

requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Companies Law, a company's repurchased shares may be treated as cancelled or held as treasury shares and, if so cancelled the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net asset value and/or earnings per Share. Our Directors sought the grant of a general authority from the Shareholders to give our Company the flexibility to repurchase Shares if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining and any repurchases will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, but assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, could accordingly result in up to 200,000,000 Shares being repurchased by our Company during the period prior to the earliest of:

- 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;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

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 our Company.

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 in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company 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.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

None of the Directors and any of their close associates has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an exclusive management consultancy and business cooperation agreement dated 1 July 2016 and entered into by and among (i) Dongguan Ruixing, (ii) Guangdong Guangzheng, (iii) the subsidiary entities of Guangdong Guangzheng as described therein, including Dongguan Guangming Primary School, Dongguan Guangming School, Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Huizhou Guangzheng, Panjin Guangzheng, Dongguan Wenhui, Weifang Guangzheng and Guang'an Guangzheng (together, the “**Subsidiary Entities**”), the list of which is to be updated to include the entities that Guangdong Guangzheng invests in and controls from time to time (including via contractual arrangements), including but not limited to companies, schools and related entities which Guangdong Guangzheng directly or indirectly holds more than 50% investment interests thereof (as of the date of this prospectus, each of Weifang Guangzheng Preparatory School, Yunfu Guangzheng and Panjin Guangzheng Preparatory School has acknowledged the inclusion of it to the list of Subsidiary Entities (on 28 July 2016, 31 August 2016 and 14 October 2016, respectively) and hence the list of Subsidiary Entities shall be updated accordingly), and (iv) the Registered Shareholders, pursuant to which Guangdong Guangzheng and the Registered Shareholders agreed to engage Dongguan Ruixing as the exclusive service provider to provide to Guangdong Guangzheng and the Subsidiary Entities with comprehensive corporate management consultancy and educational management consultancy services, intellectual property licensing services and technical and business support services, and in return, Dongguan Ruixing will charge for the services;
- (b) an exclusive call option agreement dated 1 July 2016 and entered into by and among Dongguan Ruixing, the Registered Shareholders and Guangdong Guangzheng, pursuant to which the Registered Shareholders granted Dongguan Ruixing an exclusive, unconditional and irrevocable option for Dongguan Ruixing or its designated third party to purchase all or part of the equity interests of the Registered Shareholders in Guangdong Guangzheng at nil consideration or at the lowest price permitted under the PRC laws and regulations;
- (c) an equity pledge agreement dated 1 July 2016 and entered into by and among Dongguan Ruixing, the Registered Shareholders and Guangdong Guangzheng, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Guangdong Guangzheng to Dongguan Ruixing to guarantee performance of the obligations of the Registered Shareholders, Guangdong Guangzheng and its subsidiaries and schools under the exclusive management consultancy and business cooperation agreement (as described in item (a)), the exclusive call option agreement (as described in item (b)), the Powers of Attorney and the loan agreement (as described in item (d));

- (d) a loan agreement dated 1 July 2016 and entered into by and among (i) Dongguan Ruixing, (ii) Guangdong Guangzheng, (iii) the subsidiary entities of Guangdong Guangzheng as described therein, including Dongguan Guangming Primary School, Dongguan Guangming School, Dongguan Guangzheng Preparatory School, Panjin Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School, Weifang Guangzheng Preparatory School, Huizhou Guangzheng, Panjin Guangzheng, Dongguan Wenhui, Weifang Guangzheng and Guang'an Guangzheng (together, the “**Subsidiary Entities**”), the list of which is to be updated to include the entities that Guangdong Guangzheng invests in and controls from time to time (including via contractual arrangements), including but not limited to companies, schools and related entities which Guangdong Guangzheng directly or indirectly holds more than 50% investment interests thereof (as of the date of this prospectus, each of Weifang Guangzheng Preparatory School, Yunfu Guangzheng and Panjin Guangzheng Preparatory School has acknowledged the inclusion of it to the list of Subsidiary Entities (on 28 July 2016, 31 August 2016 and 14 October 2016, respectively) and hence the list of Subsidiary Entities shall be updated accordingly), and (iv) the Registered Shareholders, pursuant to which Dongguan Ruixing (or its designated related party) is entitled to extend interest-free loans to Guangdong Guangzheng or the Registered Shareholders from time to time;
- (e) an equity transfer agreement dated 7 December 2015 entered into by and among Guangdong Guangzheng and Mr. Liu Jiefeng (劉杰鋒), pursuant to which Guangdong Guangzheng agreed to transfer 60% equity interest in Dongguan Guangzheng Pharmaceutical to Mr. Liu Jiefeng (劉杰鋒) at a consideration of RMB600,000;
- (f) an equity transfer agreement dated 18 January 2016 entered into by and among Guangdong Guangzheng and Mr. Liu, pursuant to which Guangdong Guangzheng agreed to transfer RMB42,000,000 equity interest in Nantong Guangzheng to Mr. Liu at a consideration of RMB700,000;
- (g) an equity transfer agreement dated 18 January 2016 entered into by and among Guangdong Guangzheng and Ms. Li, pursuant to which Guangdong Guangzheng agreed to transfer RMB18,000,000 equity interest in Nantong Guangzheng to Ms. Li at a consideration of RMB300,000;
- (h) an equity transfer agreement dated 29 January 2016 entered into by and among Guangdong Guangzheng and Mr. Liu Jiefeng (劉杰鋒), pursuant to which Guangdong Guangzheng agreed to transfer 60% equity interest in Dongguan Guangzheng Property to Mr. Liu Jiefeng (劉杰鋒) at a consideration of RMB120,000;
- (i) an equity transfer agreement dated 29 January 2016 entered into by and among Guangdong Guangzheng and Mr. SP Liu, pursuant to which Guangdong Guangzheng agreed to transfer 40% equity interest in Dongguan Guangzheng Property to Mr. SP Liu at a consideration of RMB80,000;
- (j) the Deed of Non-competition;
- (k) the Deed of Indemnity;
- (l) the Deed of Undertaking; and
- (m) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

As at the Latest Practicable Date, the Group had registered the following intellectual property rights which are material to its business:

(a) Trademarks

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
	Guangdong Guangzheng <i>(Note)</i>	36	PRC	14 March 2014 to 13 March 2024	11589782
	Guangdong Guangzheng <i>(Note)</i>	36	PRC	14 March 2014 to 13 March 2024	11589840
	Guangdong Guangzheng <i>(Note)</i>	41	PRC	14 March 2014 to 13 March 2024	11589933
	Guangdong Guangzheng <i>(Note)</i>	41	PRC	14 April 2014 to 13 March 2024	11589979
	Guangdong Guangzheng <i>(Note)</i>	16	PRC	14 March 2015 to 13 March 2025	11590192
A) 	Bright Education HK	16, 36 and 41	Hong Kong	6 October 2015 to 5 October 2025	303556099
B) 					

Note: Bright Education HK and Guangdong Guangzheng entered into a trademark transfer agreement on 25 January 2016 in relation to the transfer of these trademarks from Guangdong Guangzheng to Bright Education HK at the consideration of RMB100,000. As at the Latest Practicable Date, the registration of the transfer was still in progress.

(b) Domain names *(Note)*

Domain Name	Registered owner	Expiration Date
gmhs.com.cn	Dongguan Guangming School	29 November 2017
gmhs.cn	Dongguan Guangming School	29 November 2019
gmhs.com	Dongguan Guangming Primary School	1 December 2017
wisdomeeducationintl.com	Our Company	29 December 2017

Note: The information on the websites does not form part of this prospectus.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors

(a) Disclosure of Interest

Interests and Short Positions of Our Directors and the Chief Executives of Our Company in the Shares, Underlying Shares and Debentures of Our Company and Its Associated Corporations

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which 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 they were 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 entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

Long position in the Shares, underlying shares and debentures of our Company:

Name of Director	Nature of interest	Total number of Shares held	Approximate % of interest in our Company
Mr. Liu ⁽¹⁾	Interest in controlled corporation ⁽²⁾	930,000,000	46.5%
Ms. Li ⁽¹⁾	Interest in controlled corporation ⁽³⁾	570,000,000	28.5%
Mr. Ng Cheuk Him	Beneficial owner ⁽⁴⁾	8,000,000	0.4%

Notes:

- (1) Mr. Liu and Ms. Li are co-founders of our Group and are parties acting in concert with each other.
- (2) Mr. Liu holds the entire issued share capital of Bright Education Holdings and is therefore deemed to be interested in 930,000,000 Shares held by Bright Education Holdings.
- (3) Ms. Li holds the entire issued share capital of Bright Education Investment and is therefore deemed to be interested in 570,000,000 Shares held by Bright Education Investment.
- (4) These represented the underlying Shares under the options granted to Mr. Ng Cheuk Him under the Pre-IPO Share Option Scheme.

(b) Directors' Service Contracts and Letters of Appointment

Each of the executive Directors has entered into a service contract with us with effect from the Listing Date for an initial term of three years or until the third annual general meeting of the Company from the Listing Date (whichever is earlier). Under these service contracts, our executive Directors are entitled to a director's fee and a discretionary year-end bonus as may be approved by the Board from time to time.

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial term of three years or until the third annual general meeting of the Company from the Listing Date (whichever is earlier) which may be terminated by either party by serving on the other party a prior written notice of not less than three months. Under these appointment letters, each of them will receive an annual director's fee of HK\$250,000.

None of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

Under the arrangements currently in force, it is expected that the aggregate remuneration payable to and benefits in kind receivable by the Directors for the year ending 31 August 2017 would amount to approximately HK\$7.5 million (excluding discretionary bonus (if any), options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme).

2. Interest in Material Contract or Arrangement

Save for the individual construction agreements as disclosed in the section headed "Connected Transaction – One-off Transactions with Dongguan Cinese Real Estate" and the Contractual Arrangements as disclosed in the section headed "Continuing Connected Transactions", there is no contract or arrangement subsisting at the date of this prospectus in which a Director is materially interested and which is significant in relation to the business of our Group.

D. SHARE OPTION SCHEMES

1. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme approved and adopted by the Board on 3 January 2017:

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to Eligible Participants (as defined in sub-paragraph (b)) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Group to recruit and retain high-calibre employees. In determining the basis of eligibility of each Eligible Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(b) Who may participate

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**Eligible Participant(s)**"):

- (i) any executive, non-executive or independent non-executive director of any member of our Group or an entity in which our Group holds an interest ("**Affiliate**");
- (ii) any employee of any member of our Group or an Affiliate;
- (iii) any customer, supplier, agent, partner, consultant, adviser or shareholder (including director(s) thereof) of, or contractor to, any member of our Group or an Affiliate;
- (iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of, or contractor to, any member of our Group or an Affiliate; or

- (v) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of, or contractor to, any member of our Group or an Affiliate.

In order for a person to satisfy the Board that he or she is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his eligibility (or continuing eligibility). The Board shall (subject to the provisions of the Pre-IPO Share Option Scheme) have absolute discretion as to whether or not to grant option(s) to any particular Eligible Participant.

(c) Grant of options

The Board shall be entitled but shall not be bound at any time on or after the adoption date of the Pre-IPO Share Option Scheme and not later than the date of this prospectus to grant options to any Eligible Participants as the Board may at its absolute discretion select, and subject to such conditions as the Board may at its absolute discretion think fit, to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined in sub-paragraph (f)). Each grant of options shall be in writing made to an Eligible Participant (the “**Grantee**”) by letter in such form as the Board may from time to time determine (the “**Grant Letter**”). Unless otherwise determined by the Board and specified in the Grant Letter at the time of the grant, the Grantee is not required to achieve any performance targets.

(d) Payment on grant

There is no monetary consideration for the grant of any option.

(e) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall be such number of Shares representing 10% of the enlarged issued share capital of the Company as at the Listing Date, subject to adjustment as set out in sub-paragraph (l) below.

The maximum number of Shares in respect of which options may be granted will be adjusted, in such manner as the auditors of our Company or the independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction in the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction).

(f) Subscription price

Subject to any adjustments described under sub-paragraph (l), the subscription price in respect of each Share issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme shall be determined by the Board at its discretion and set out in the relevant Grant Letter(s), provided that it shall not be less than the nominal value of a Share as at the date of grant (the “**Subscription Price**”).

(g) Exercise of options

An option may be exercised according to the terms of the Pre-IPO Share Option Scheme and the relevant Grant Letter in whole or in part by the Grantee (or his personal representatives) before its expiry by giving notice in writing to the Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised, provided that the number

of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral number thereof. The Grantee (or his personal representative) shall also pay to our Company (or as our Company may otherwise direct) the subscription price and the relevant fees and charges, if any, in Hong Kong dollars in immediately available funds. Within 30 days after receipt of the notice and the relevant payment amount, and (where appropriate) receipt of the auditors of our Company's or the independent financial adviser's certificate under sub-paragraph (l), our Company shall allot and issue the relevant Shares to the Grantee (or his personal representatives) credited as fully paid and issue to the Grantee (or his personal representatives) a share certificate in respect of the Shares so allotted.

If:

- (i) subject to sub-paragraph (ii) below and sub-paragraphs (j)(iii) and (j)(vi), the Grantee who holds any Unvested Option (as defined in sub-paragraph (p)) ceases to be an Eligible Participant for any reason, such Unvested Option may only be exercised during such period and in such manner as the Board may in its sole and absolute discretion determine (and, for the avoidance of doubt, in such scenario the Board may in its sole and absolute discretion determine that the right to exercise such Unvested Option shall terminate), and such scenario does not apply to any Vested Option;
- (ii) the Grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to sub-paragraphs (iii), (iv), (v) or (vi) below by his personal representatives within twelve (12) months after the date of his death or permanent disability or such longer period as the Board may in its sole and absolute discretion determine;
- (iii) a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or to the extent specified in such notice;
- (iv) a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice;
- (v) other than a general offer or a scheme of arrangement contemplated in sub-paragraphs (iii) and (iv) above, a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it despatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement

becoming effective, all options shall lapse except insofar as previously exercised under the Pre-IPO Share Option Scheme. Our Company may require the Grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

- (vi) 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 (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his personal representatives) 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 the 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.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject to such approval, the Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

(h) Transfer of options

An option is personal to the Grantee and shall not be assignable nor transferable, 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 granted under the Pre-IPO Share Option Scheme.

(i) Ranking of the Shares

The Shares to be allotted upon the exercise of an option shall be subject to our Company's Memorandum and Articles of Association for the time being in force and shall rank *pari passu* in all respects with the fully paid Shares in issue of our Company as at the date of allotment and entitles the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

(j) Lapse of options

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the period commencing on the Listing Date and ending on the date immediately before the 9th anniversary of the Listing Date (the "**Exercise Period**");
- (ii) the expiry of any of the periods referred to in sub-paragraphs (g)(i), (g)(ii) or (g)(iii);
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (g)(iv);
- (iv) subject to the compromise or arrangement referred to in sub-paragraph (g)(v);

- (v) subject to sub-paragraph (g)(vi), the date of the commencement of the winding-up of the Company;
- (vi) in respect of an Unvested Option (as defined in sub-paragraph (p)), the date on which the Grantee of such Unvested Option ceases to be an Eligible Participant by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Participant, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty. A resolution of the Board to the effect that the employment or other relevant contract of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vii) the date on which the Grantee commits a breach of sub-paragraph (h); or
- (viii) the date on which the option is cancelled by the Board as provided in sub-paragraph (k).

The Company shall owe no liability to any Grantee for the lapse of any option under this sub-paragraph (j).

(k) Cancellation of options

The Board may cancel an option granted but not exercised by a Grantee with the approval of an option-holder of such option.

No options may be granted to an Eligible Participant in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit as mentioned in sub-paragraph (c).

(l) Effect of alterations in share capital

Subject to the second paragraph of sub-paragraph (e), in the event of any alteration in the capital structure of our Company whilst any Option remains exercisable whether by way of capitalisation of profits or reserves, rights issue, repurchase consolidation, redenomination, subdivision of shares or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction, such corresponding adjustments (if any) shall be made to:

- (i) the number of Shares, the subject matter of the option in so far as it is unexercised;
- (ii) the price at which the options are exercisable; or

as the auditors or independent financial adviser appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable.

Any such adjustments shall be made on the basis that a Grantee shall have the same proportion of the issued share capital of the Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of the Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the

requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalisation issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Grantees in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by the Company.

The Company will notify a Grantee of any adjustments made in accordance with this sub-paragraph (l).

(m) Duration and Administration of the Pre-IPO Share Option Scheme

Subject to the termination provisions in sub-paragraph (o), no further options will be granted after the date of this prospectus but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary or desirable to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and options which are granted on or before the date of this prospectus may continue to be exercisable in accordance with their terms of issue.

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final, conclusive and binding on all parties.

Subject to compliance with the provisions of the Pre-IPO Share Option Scheme, the Board shall have the right (i) to interpret and construe the provisions of the Pre-IPO Share Option Scheme; (ii) to determine the Eligible Participants under the Pre-IPO Share Option Scheme and the number of Shares to be issued under the options; (iii) to determine the Subscription Price; (iv) to make such appropriate and equitable adjustments to the terms of options granted under the Pre-IPO Share Option Scheme as it deems necessary or desirable; and (v) to make such other appropriate decisions, determinations or regulations as it shall deem necessary or desirable in the administration of 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 resolution of the Board provided that any such alternation is not inconsistent with the Articles of Association. Any change to the authority of the Board in relation to any alterations to the terms of the Pre-IPO Share Option Scheme must be approved by the Shareholders in a general meeting. Any alterations to the provisions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Pre-IPO Share Option Scheme.

(o) Termination of the Pre-IPO Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(p) Conditions of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme shall take effect on its adoption. Any exercise of an option is conditional upon:

- (i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options granted;
- (ii) the commencement of dealings in the Shares on the Stock Exchange; and
- (iii) the vesting period and any other conditions in respect of such option as set out in the Grant letter (the options that have not yet fallen within the aforesaid vesting period, the “Unvested Options”, and the Options that have fallen with the aforesaid vesting period, the “Vested Options”).

2. Outstanding share options under the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, 8,000,000 share options to subscribe for an aggregate of 8,000,000 Shares were granted to Mr. Ng Cheuk Him, our executive Director, chief financial officer and company secretary under the Pre-IPO Share Option Scheme. No consideration was paid by any of the grantees for the share options granted by the Company to them under the Pre-IPO Share Option Scheme. The Shares to be issued upon the full exercise of such options represent approximately 0.4% of the enlarged issued share capital of the Company upon the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued pursuant to any exercise of options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme).

The table below shows details of the outstanding share options granted under the Pre-IPO Share Option Scheme as at the date of this prospectus. The exercise price for all the share options granted shall represent a 70% discount to the final Offer Price:

Name of option holder	Position held with our Group	Address	Number of Shares represented by options	Approximate percentage of shareholding (%) ⁽¹⁾
Mr. Ng Cheuk Him	Executive Director, chief financial officer and company secretary	Flat A, 3/F., Block 18, Cherry Mansions, 9 Shung King Street, Site 2 Whampoa Garden, Hung Hum, Kowloon, Hong Kong	8,000,000	0.4

Note:

- (1) Approximate shareholding percentage in our Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme).

Subject to any alterations to the capital structure of the Company referred to in sub-paragraph (l) above after the Listing, the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 8,000,000 Shares, representing approximately 0.4% of the issued share capital of the Company immediately upon completion of the Capitalisation Issue and the Global Offering (assuming no Shares are issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme), or approximately 0.398% of the enlarged issued share capital of the Company upon full exercise of all the outstanding options under the Pre-IPO Share Option Scheme but assuming that the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme. Accordingly, 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 Capitalisation Issue and the Global Offering will be diluted by approximately 0.398%. Further, assuming that (i) the Company had been listed on the Stock Exchange since the Listing Date with 2,000,000,000 Shares in issue; (ii) the final Offer Price is HK\$1.99, being the mid point of the indicative Offer Price range; and (iii) all the Pre-IPO Share Option Scheme in respect of 8,000,000 Shares were exercised in full on the Listing Date, the earning per Share on a pro forma diluted basis would be approximately HK\$0.94 (unaudited) for the year ended 31 August 2016. Save and except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

The grantee under the Pre-IPO Share Option Scheme as referred to in the table above is not required to pay for the grant of any option under the Pre-IPO Share Option Scheme. The exercise price per Share for such option granted shall represent a discount of 70% to the final Offer Price.

The share options of each grantee shall be vested in accordance with the vesting schedule as follows:

- (i) as to 30% of the aggregate number of Shares underlying the share options on the Listing Date;
- (ii) as to 30% of the aggregate number of Shares underlying the share options on the first anniversary of the Listing Date; and
- (iii) as to the remaining 40% of the aggregate number of Shares underlying the share options on the second anniversary of the Listing Date.

Each share option granted under the Pre-IPO Option Scheme may be exercised during the period commencing on the Listing Date and ending on the date immediately before the 9th anniversary of the Listing Date.

3. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the Shareholders on 3 January 2017 the implementation of which is conditional on the Listing:

(a) Purposes of the scheme

The purpose of the Share Option Scheme is to incentivise and reward the Eligible Persons (as defined in sub-paragraph (b) below) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(b) Who may participate

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria (“**Eligible Person(s)**”):

- (i) any executive, non-executive or independent non-executive director of any member of our Group or an entity in which our Group holds an interest (“**Affiliate**”);
- (ii) any employee of any member of our Group or an Affiliate;
- (iii) any customer, supplier, agent, partner, consultant, adviser or shareholder (including director(s) thereof) of, or contractor to, any member of our Group or an Affiliate;
- (iv) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of, or contractor to, any member of our Group or an Affiliate; or
- (v) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of, or contractor to, any member of our Group or an Affiliate.

In order for a person to satisfy the Board that he or she is qualified to be (or, where applicable, continues to qualify to be) an Eligible Person, such person shall provide all such information as the Board may request for the purpose of assessing his eligibility (or continuing eligibility). The Board shall (subject to the provisions of the Share Option Scheme) have absolute discretion as to whether or not to grant option(s) to any particular Eligible Person.

(c) Maximum number of Shares in respect of which options may be granted

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, the “**Other Schemes**”) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date i.e. 200,000,000 Shares (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any Other Schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”.

The Board may, with the approval of the Shareholders in general meeting and subject to the limit set out in the immediately following paragraph, grant options to any Eligible Person(s) specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, repurchase, consolidation, redenomination, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholder' approval and the date of the Board meeting approving such further grant shall be taken as the date of offer for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Each grant of options to a director (including an independent non-executive Director) of any member of the Group or associated company of the Company, chief executive or substantial shareholder of the Company or any of its subsidiaries, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, 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 Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected person of the Company must abstain from voting in favour of the resolution to approve such further grant of options. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance in writing or by facsimile transmission or (if the Board agree) by electronic communication received by the Chairman (or a person designated by him with the approval of the Board) for such period (not exceeding 30 days

inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The Company shall issue option certificates to any Eligible Person who has accepted an offer under the common seal of the Company (or the securities seal of the Company) within seven days after the end of the period for acceptance of the offer.

(g) Exercise price

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

(h) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(i) Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Subject to the restrictions set out in sub-paragraph (l) and also subject to sub-paragraphs (q) and (r), any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Subject to sub-paragraph (t) below, any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of the Group or associated companies of the Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security

laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

An option-holder may exercise any or all of his options by notice of exercise in writing in such form as the Board may from time to time require delivered to the Chairman (or a person designated by him with the approval of the Board). The notice of exercise of the option must be completed, signed by the option-holder or by his appointed agent, and must be accompanied by the:

- (i) relevant option certificate; and
- (ii) correct payment in full in cleared funds of the total option price for the number of Shares being acquired.

(j) *Restriction on the time of grant of options*

A grant of options may not be made after inside information has come to the knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) 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 the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) *Ranking of the Shares*

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) *Restrictions on transfer*

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse, while all options (to the extent unvested) will lapse on the date of cessation of employment of such Eligible Person.

(m) *Rights on voluntary resignation*

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of

options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) Rights on termination of employment

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) Rights on death, disability, retirement and transfer

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or
- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment; or
- (iv) his early retirement by agreement with the option-holder's employer; or
- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of the Group or an associated company of the Company or under the control of the Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of the Company nor a member of the Group or associated companies of the Company; or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (i) to (viii) above:

- (i) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to the Company until after he has ceased employment with any member of the Group or associated companies; or
- (ii) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of the Group or associated companies; or
- (iii) has disclosed trade secrets or confidential information of any member of the Group or associated companies; or
- (iv) has entered into competition with any member of the Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of the Group or associated companies, the Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse. For the avoidance of doubt, in case of discrepancy between the provisions in this paragraph (p) and paragraph (n), the provisions of paragraph (n) shall prevail.

(q) Rights on a general offer

In the event of a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, an option-holder (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) exercise the option to its full extent or to the extent specified in such notice.

(r) Rights on company reconstructions

In the event of a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, an option-holder (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the option to its full extent or to the extent specified in such notice.

Other than a general offer contemplated in sub-paragraph (q) above or a scheme of arrangement, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to an option-holder (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it despatches the notice to each member or

creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the option-holder (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the option-holder (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option-holder in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(s) Rights on winding up

In the event a notice is given by the 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 the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all option-holder (together with a notice of the existence of the provisions of this paragraph) and thereupon, each option-holder (or his personal representatives) is 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 the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon the 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 option-holder credited as fully paid.

(t) Lapse of options

An option will lapse on the earlier of:

- (i) the expiry of the Option Period as determined by the Board;
- (ii) the date on which an option-holder is in breach of sub-paragraph (l); or
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

(u) Effect of alteration to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issues, repurchase, consolidation, redenomination, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of the Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by the Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of the Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any

Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of the Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalisation issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by the Company.

The Company will notify an option-holder of any adjustments made in accordance with sub-paragraph (u).

(v) *Cancellation of options*

The Board may cancel an option granted but not exercised by an option-holder with the approval of an option-holder of such option.

No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit as mentioned in sub-paragraph (c).

(w) *Termination of the Share Option Scheme*

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Share Option Scheme at any time without Shareholders’ approval by resolving that no further options shall be granted under the Share Option Scheme and in such case, no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme, or (ii) be cancelled in accordance with sub-paragraph (v).

(x) *Amendments to the Share Option Scheme*

The Board may amend any of the provisions of the Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of the Company save where the amendments take effect automatically under the existing terms of the Share Option Scheme.

The Board need not obtain the approval of the shareholders of the Company in general meeting for any minor amendments:

- (i) to benefit the administration of the Share Option Scheme;
- (ii) to comply with or take account of the provisions of any proposed or existing legislation;
- (iii) to take account of any changes to any legislative or regulatory requirements; or
- (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of any member of the Group or any present or future option-holder.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and the grantee, his associates and core connected persons of the Company must abstain from voting in favour of the resolution to approve such amendment.

Any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules.

(y) *Conditions of the Share Option Scheme*

The adoption of the Share Option Scheme is conditional on:

- (i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
- (ii) the commencement of the dealings in the Shares on the Stock Exchange.

If the conditions above are not satisfied on or before the date following six months after the date the Share Option Scheme was conditionally adopted:

- (i) the Share Option Scheme shall forthwith determine;
- (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; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme. As of the Latest Practicable Date, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme. Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of the Company, and the employee costs arising from the grant of the options will be disclosed in the annual report.

E. OTHER INFORMATION**1. Deed of Indemnity**

Our Controlling Shareholders entered into the Deed of Indemnity dated 3 January 2017 in favour of our Company to jointly and severally indemnify and at all times keep indemnified our Company (for itself and as trustee for the benefit of the other members of the Group) and hold our Company (for itself and as trustee for the benefit of the other members of the Group) harmless on demand against, among other things, any demands, actions, claims, losses, liabilities, damages, costs, charges, fees, penalties, fines or expenses made, suffered or incurred by any member of the Group in respect of or arising directly or indirectly from:

- (a) any title or other defects that exist and existed on or before the date on which the Global Offering becomes unconditional (the “**Relevant Date**”) with respect to the Group’s owned or leased real estate properties, and the Controlling Shareholders jointly and severally undertake to the Company (for itself and as trustee for the benefit of the other Group Companies) that they shall procure alternative premises for the use by any of the Group Companies where appropriate or necessary in the circumstances;
- (b) any non-compliance or alleged non-compliance by any member of the Group with any applicable laws, rules and regulations in Hong Kong, the PRC, or any other jurisdictions relevant to the members of the Group or any of them for so long as such non-compliance or alleged non-compliance occurs or occurred on or before the Relevant Date;
- (c) the amount of any taxation falling on any member of the Group in respect of and to the extent of any of the following: (i) non-compliance or alleged non-compliance by any member of the Group with any applicable laws, rules and regulations in Hong Kong, the PRC, or any other jurisdictions relevant to the members of the Group or any of them for so long as such non-compliance or alleged non-compliance occurs or occurred on or before the Relevant Date; and (ii) historical shortfall on taxation in tax filings made on or before the Relevant Date;
- (d) all costs (including legal costs), expenses and other liabilities which members of the Group may properly incur in connection with:
 - (i) the investigation or the contesting of any matters referred to in paragraphs (a), (b) and (c) above and this paragraph (d);
 - (ii) procuring suitable alternative premises for the use by any member of the Group where appropriate in relation to the matter referred to in paragraph (a) above;
 - (iii) the settlement of any claim under the Deed of Indemnity;
 - (iv) any legal proceedings in which members of the Group or any of them claim under or in respect of the Deed of Indemnity and in which judgment is given for it; and
 - (v) the enforcement of any such settlement or judgment.

Our Controlling Shareholders shall not be liable to indemnify the Group under the Deed of Indemnity:

- (a) where:
 - (i) provision has been made for such taxation in the audited consolidated accounts of the Group for the three years ended 31 August 2016; or
 - (ii) such taxation arises or is incurred as a result of a retrospective change in any applicable laws, rules or regulations coming into force after the Relevant Date; or

(iii) such taxation arises 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 after the Relevant Date; or

(b) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) effected after the Relevant Date without the prior written consent or agreement of any of the Controlling Shareholders, otherwise than in the ordinary and usual course of business of any member of the Group.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme).

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\$700,000 to act as sponsor to our Company in the Global Offering.

5. Consents of Experts

Each of the experts listed below has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion (as the case may be) and references to its name included in the form and context in which it appears:

Name	Qualification
BNP Paribas Securities (Asia) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Commerce & Finance Law Offices	PRC legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

Name	Qualification
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
DTZ Cushman & Wakefield Limited	Property valuer

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

6. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

7. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

8. Promoter

Our Company has no promoter.

9. Preliminary Expenses

The total preliminary expenses of our Company are estimated to be approximately US\$2,000 and are payable by our Company.

10. Disclaimers

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (b)
 - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commission was paid within the two years preceding the date of this prospectus, or is payable, by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and

- (c) none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, 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, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of **white, yellow** and **green** Application Forms;
- (b) the written consents referred to under “E. Other Information – 5. Consents of Experts” in Appendix V to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “B. Further Information about Our Business – 1. Summary of 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 Ashurst Hong Kong, 11/F Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountants’ Report and the assurance report on the compilation of pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II to this prospectus, respectively;
- (c) the audited consolidated financial statements of our Company for the three financial years ended 31 August 2014, 2015 and 2016;
- (d) the PRC legal opinions issued by Commerce & Finance Law Offices, our legal adviser on PRC law, in respect of certain general corporate matters and property interests of our Group;
- (e) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, summarising certain aspects of the Cayman Companies Law referred to in Appendix IV to this prospectus;
- (f) the Cayman Companies Law;
- (g) the letter, summary of valuations and valuation certificates relating to our property interests prepared by DTZ Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;
- (h) the Frost & Sullivan Report;
- (i) the written consents referred to in the paragraph headed “E. Other Information – 5. Consents of Experts” in Appendix V to this prospectus;
- (j) the material contracts referred to in the paragraph headed “B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus;
- (k) the service contracts and the letters of appointment with our Directors referred to in the paragraph headed “C. Further Information about our Directors – 1. Directors – (b) Directors’ Service Contracts and Letters of Appointment” in Appendix V to this prospectus;
- (l) the rules of the Pre-IPO Share Option Scheme; and
- (m) the rules of the Share Option Scheme.



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以愛心培育人才