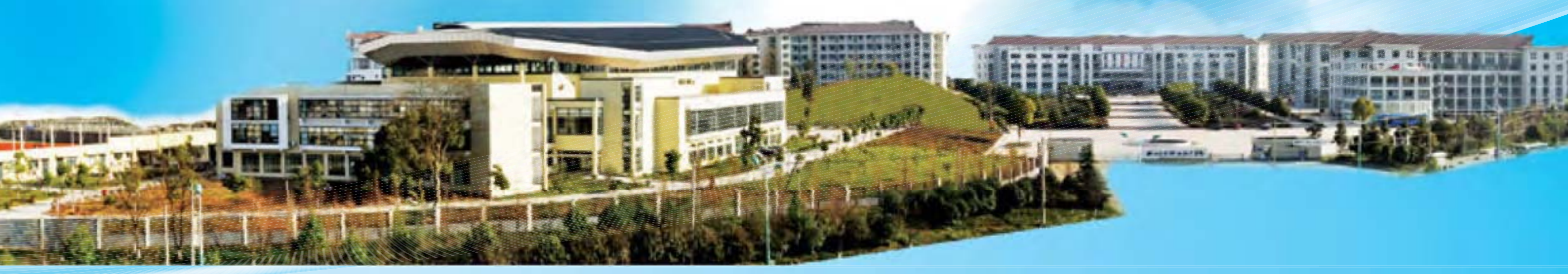
嘉宏教育
JH educational technology inc

嘉宏教育科技有限公司
JH Educational Technology INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1935

GLOBAL OFFERING



Sole Sponsor

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原銀證券 YUANYIN SECURITIES LIMITED

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

JH Educational Technology INC.
嘉宏教育科技有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total number of Offer Shares under the Global Offering :	**400,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares :	**40,000,000 Shares (subject to adjustment)**
Number of International Placing Shares :	**360,000,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price :	**Not more than HK$1.92 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value :	**US$0.01 per Share**
Stock code :	**1935**

Sole Sponsor

MACQUARIE

Sole Global Coordinator

MACQUARIE

Joint Bookrunners and Joint Lead Managers

MACQUARIE 海通國際 HAITONG 交銀國際 BOCOM International WE Securities 溫/商/證/券 原銀證券 YUANYIN 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 "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company on or before Tuesday, June 11, 2019 or such later time as may be agreed between the parties, but in any event, no later than Thursday, June 13, 2019. If, for any reason, the Sole Global Coordinator, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Thursday, June 13, 2019, the Global Offering will not proceed and will lapse immediately.

The Offer Price will be not more than HK$1.92 per Offer Share and is expected to be not less than HK$1.50 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum offer price of HK$1.92 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$1.92. The Sole Global Coordinator, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.jheduchina.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

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

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

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

June 4, 2019

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the Stock Exchange's website at www.hkexnews.hk and our website at www.jheduchina.com.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at www.eipo.com.hk (*Note 2*)	11:30 a.m. on Tuesday, June 11, 2019
Application lists open (*Note 3*)	11:45 a.m. on Tuesday, June 11, 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC (*Note 4*)	12:00 noon on Tuesday, June 11, 2019
Latest time to complete payments for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, June 11, 2019
Application lists close (*Note 3*)	12:00 noon on Tuesday, June 11, 2019
Expected Price Determination Date (*Note 5*)	Tuesday, June 11, 2019

(1) Announcement of

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

to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on our website at **www.jheduchina.com** on or before .... Monday, June 17, 2019

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares — F. Publication of results" from .... Monday, June 17, 2019

(3) A full announcement containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on our website at **www.jheduchina.com** from .... Monday, June 17, 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function	Monday, June 17, 2019
Dispatch of Share certificates in respect of wholly or partially successful applications on or before (*Notes 7 to 12*)	Monday, June 17, 2019
White Form e-Refund payment instructions/refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before (*Notes 6, 8 to 12*).	Monday, June 17, 2019
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on	Tuesday, June 18, 2019

Notes:

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

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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 Tuesday, June 11, 2019, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Public Offer Shares — E. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Tuesday, June 11, 2019, the dates mentioned in this section headed "Expected Timetable" may be affected. We will make an announcement in such event.

(4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — A. Applications for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, June 11, 2019 and, in any event, not later than Thursday, June 13, 2019. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Thursday, June 13, 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and 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 check, 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 check. 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 check.

(7) Share certificates for the Public Offer Shares will become valid certificates at 8:00 a.m. on Tuesday, June 18, 2019 (Hong Kong time), 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. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.

(8) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Public Offer Shares or more under the Hong Kong Public Offering and have provided all information required by the Application Form may collect any refund check(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 17, 2019. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and are eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection.

(9) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Hong Kong Public Offering may collect their refund check(s), where applicable, in person but may not elect to collect their Share certificate(s), which 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 check(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.

(10) For applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Monday, June 17, 2019. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, June 17, 2019 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Public Offer Shares – I. Dispatch/Collection of Share certificates and refund monies" in this prospectus for details.

(11) For applicants who have applied for Public Offer Shares through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (where applicable) will be dispatched to their application payment bank account in the form of e-Refund payment instructions on Monday, June 17, 2019. For applicants who have applied for Public Offer Shares through the **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund check(s) will be dispatched on or before Monday, June 17, 2019 by ordinary post at their own risk. Please refer to the section headed "How to Apply for Public Offer Shares — I. Dispatch/Collection of Share certificates and refund monies" in this prospectus for details.

(12) Uncollected Share certificate(s) and refund check(s) will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in the section headed "How to Apply for Public Offer Shares — I. Dispatch/Collection of Share certificates and refund monies" in this prospectus.

Share certificates will only become valid certificates provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates do so entirely at their own risk.

The above expected timetable is a summary only. For further details in relation to the structure of the Global Offering, including the conditions of the Hong Kong Public

Offering, and the procedures for application for the Public Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Public Offer Shares" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

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

CONTENTS

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

OVERVIEW

We are a leading provider of private formal higher education in Zhejiang province in China in terms of student enrollment as of December 31, 2017. According to the Frost & Sullivan Report, we were the largest private provider of junior college education and the fourth largest private provider of formal higher education in Zhejiang province with a total student enrollment of 10,874 as of December 31, 2017. In addition to offering higher education, we provide secondary education to high school students in Zhejiang province. During the Track Record Period and up to July 5, 2018, we controlled and operated two schools, namely, Changzheng College (which is held by JH Holdings Group as to 53.62%) and Jingyi Secondary School. We refer to these two schools as "our initially-controlled schools" throughout this prospectus. For the 2018/2019 school year, we had an aggregate of 11,455 students enrolled at our initially-controlled schools, among which, 10,520 students were enrolled in Changzheng College and the remaining 935 students were enrolled at Jingyi Secondary School. In addition, we operated a joint venture school, College of Information and Business, during the Track Record Period and up to July 5, 2018, which was held by JH Holdings Group as to 65.0% and by Zhongyuan University of Technology as to the remaining 35.0% of the school capital contributor's interest. College of Information and Business mainly provides formal undergraduate and junior college education. For the 2018/2019 school year, College of Information and Business had 20,613 students under enrollment. Since July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group, and have controlled and operated Changzheng College, College of Information and Business and Jingyi Secondary School. We refer to these three schools as "our schools" throughout this prospectus. As of the Latest Practicable Date, we were in the process of obtaining the MOE approval for the transformation, upon which College of Information and Business will be transformed from an independent college to a wholly privately-owned undergraduate college.

We experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB162.5 million for the year ended December 31, 2016 to RMB172.0 million for the year ended December 31, 2017, and further to RMB301.8 million for the year ended December 31, 2018. Our profit for the year increased from RMB137.4 million for the year ended December 31, 2016 to RMB190.6 million for the year ended December 31, 2017, and further to RMB286.9 million for the year ended December 31, 2018. In addition, for the years ended December 31, 2016, 2017 and 2018, we recorded a share of profits of College of Information and Business of approximately RMB84.5 million, RMB101.3 million and RMB74.3 million, respectively.

OUR SCHOOLS

During the Track Record Period and up to July 5, 2018, we operated Changzheng College and Jingyi Secondary School, which were controlled by us through the Structured Contracts. As of December 31, 2018, our initially-controlled schools had a total of 11,455 students under enrollment. In addition, we operated a joint venture school, College of Information and Business, during the Track Record Period and up to

July 5, 2018. Since July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group. In addition to Changzheng College and Jingyi Secondary School, we also controlled College of Information and Business through the Structured Contracts. As of December 31, 2018, College of Information and Business had a total of 20,613 students.

Changzheng College

Changzheng College is a junior college located in Hangzhou, Zhejiang province, the PRC, which provides formal junior college education. The school was co-sponsored by Zhejiang Committee of the Revolutionary Committee of the Chinese Kuomintang (中國國民黨革命委員會浙江委員會) and JH Holdings Group. Changzheng College currently has nine departments and offers approximately 33 majors across seven key subject categories. During the 2015/2016, 2016/2017 and 2017/2018 school years, Changzheng College achieved an initial employment rate of approximately 98.0%, 98.0% and 98.1%, respectively.

Jingyi Secondary School

Jingyi Secondary School is located in Wenzhou, Zhejiang province, and mainly focuses on providing non-compulsory private education for high school students. From the date of its establishment to the Latest Practicable Date, the school sponsor's interest in Jingyi Secondary School was owned as to 45.0% by Mr. Chen Yuguo (陳餘國), 25.0% by Mr. Chen Yucao (陳餘曹), 15.0% by Mr. Chen Yuchun (陳餘春) and 15.0% by Mr. Chen Yutian (陳餘鈿). In accordance with the curriculum requirements of the Zhejiang Department of Education, Jingyi Secondary School currently offers 13 main courses, including Chinese, mathematics, English (while a small number of its students studies Japanese), technology, politics, history, geography, physics, chemistry, biology, sports, arts and music.

College of Information and Business

College of Information and Business is an independent college located in Zhengzhou, Henan province, the PRC, which provides formal undergraduate education and junior college education. According to the cooperation arrangement we had with Zhongyuan University of Technology, College of Information and Business was held by JH Holdings Group as to 65.0% and by Zhongyuan University of Technology as to the remaining 35.0% of the school capital contributor's interest. It has been our joint venture school from 2007 until July 5, 2018 (subsequent to which it became one of our subsidiaries). On March 28, 2017, we entered into an agreement on transformation with Zhongyuan University of Technology (as supplemented on June 12, 2018), pursuant to which, among other things, College of Information and Business will be transformed, subject to the regulatory approval from the relevant PRC government authorities, from an independent college to a wholly-privately owned undergraduate college. According to this arrangement, from 2007 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remaining 65.0% of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures. In connection with our application for the transformation of College of Information and Business, the directors of College of Information and Business unanimously passed resolutions to amend its articles of association on June 12, 2018, and the Henan Department of Education approved the amendments to the articles of association of the school on July 5, 2018. Based on the amended articles of association, we were able to consolidate the financial results of College of Information and Business into the consolidated financial statements of our Group beginning on July 6, 2018. For details of the change of status of College of Information and Business from our joint venture school to one of our subsidiaries, see the section headed "Business — Our Schools" in this prospectus. It was recognized by the MOE as an independent college in December 2003. College of Information and Business currently has ten departments and offers approximately 44 majors in the undergraduate program and 16 majors under the junior college program. During the 2015/2016, 2016/2017 and 2017/2018 school years, College of Information and Business achieved an initial employment rate of approximately 86.5%, 91.8% and 93.9%, respectively.

California School to be Established in the United States

As part of our business strategies and our efforts to meet the Qualification Requirement, we plan to establish the California School, a degree-granting higher education institution in California, the United States, to mainly offer education programs relating to business administration and international business. As of the Latest Practicable Date, we had established a subsidiary in the United States for the proposed investment and development of the California School, and have expended approximately US$50,000 in connection with the planned operation and development of the California School. We intend to further invest up to US$500,000 out of our self-owned working capital for establishing and operating the California School in 2021.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) as a leading private provider of formal higher education in Zhejiang province with solid reputation, we have a large presence in Henan province and possess strong growth potential; (ii) our prior experience in setting up and managing private schools and our ability to expand our business operations across different regions in the PRC enable us to replicate our past success in our future endeavors; (iii) our strategic locations, diverse curriculums formulated based on the evolving market trends, mature school-enterprise collaboration business model and practical training-focused course offerings provide our students with promising employment opportunities; (iv) we have a highly qualified teaching staff, which, we believe, is crucial to providing high-quality education to our students; and (v) we have an experienced, stable and proven senior management team with advanced educational concepts, abundant school management experience, strong operational capabilities and successful track record.

OUR BUSINESS STRATEGIES

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) expand our business operations and school network to achieve economies of scale; (ii) enhance our profitability by optimizing our pricing strategies and diversify our revenue sources; (iii) continue to attract and retain qualified teachers and elevate their research and curriculum development capabilities; and (iv) continue to improve our course and major offerings and design specialized disciplines based on evolving market trends in order to improve our educational quality and our reputation.

SUMMARY BUSINESS OPERATING DATA

The following table set forth a breakdown of the revenue generated by each of our schools for the periods indicated. The summary financial data set forth below should be read together with our consolidated financial information and the related notes, as well as the section headed "Financial Information" in this prospectus:

	Revenue		
	Year ended December 31,		
School Name	**2016**	**2017**	**2018**(3)
	RMB'000	*RMB'000*	*RMB'000*
Changzheng College			
Tuition fees	134,776	141,845	146,274
Boarding fees	14,953	15,412	16,550
Other education service income(1)	1,098	1,561	1,667
Subtotal	150,827	158,818	164,491
Jingyi Secondary School			
Tuition fees	5,208	5,744	6,012
Boarding fees	582	523	453
Other education service income(2)	5,864	6,908	7,790
Subtotal	11,654	13,175	14,255
College of Information and Business(3)			
Tuition fees	229,290	240,601	250,922
Boarding fees	19,241	20,478	20,660
Subtotal	248,531	261,079	271,582

Notes:

(1) Mainly includes fees received from the provision of adult education services and training services to certain students in Changzheng College.

(2) Mainly includes fees from students who enrolled in the training program and the Rong Tong program at Jingyi Secondary School.

(3) College of Information and Business had been a joint venture school of our Group during the Track Record Period and up to July 5, 2018, pursuant to which its financial results were not consolidated into the financial statements of our Group until July 6, 2018. Based on the cooperation arrangement we had with Zhongyuan University of Technology, from 2007 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remaining 65.0% of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures. However, pursuant to the agreement between us and Zhongyuan University of Technology in March 2017, College of Information and Business will be transformed from an independent college to a wholly privately-owned undergraduate college, pending approval from the relevant PRC government authorities. In connection with the application for transformation, the Henan Department of Education approved the amendments to the articles of association of College of Information and Business in relation to a change in the decision-making mechanism of the board of directors of the school on July 5, 2018. Beginning on July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group. Please see "Business — Our Schools" for details. Accordingly, for the year ended December 31, 2018, only RMB123.1 million of the total revenue generated by College of Information and Business for the year (consisting of RMB113.5 million of tuition fees and RMB9.6 million of boarding fees) was consolidated into the financial results of our Group.

The following table set forth a breakdown of our gross profit and gross profit margin by school for the periods indicated:

School Name	Gross Profit			Gross Profit Margin		
	Year ended December 31,			Year ended December 31,		
	2016	2017	2018	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*%*	*%*	*%*
Changzheng College	93,898	97,387	105,216	62.3	61.3	64.0
Jingyi Secondary School	2,713	4,929	5,617	23.3	37.4	39.4
Subtotal (our initially-controlled schools)	96,611	102,316	110,833	59.5	59.5	62.0
College of Information and Business	135,777	135,145	138,472	54.6	51.8	51.0
Total (our schools)	—	—	249,305	—	—	55.4(1)

Note:

(1) The gross profit margin of our schools for the year ended December 31, 2018 was calculated by using the sum of the gross profit generated from each of our schools in the year ended December 31, 2018, divided by the total revenue generated from such schools in the same year.

During the Track Record Period, our revenue increased at our initially-controlled schools mainly due to increases in tuition fees from Changzheng College and Jingyi Secondary School, which were attributable to increases in tuition fee rates during the period. The gross profit margin of our initially-operated schools remained relatively stable at 59.5% for the years ended December 31, 2016 and 2017. The gross profit margin of our initially-operated schools increased to 62.0% for the year ended December 31, 2018, mainly because we raised tuition fee rates in Changzheng College in the 2016/2017 school year and in Jingyi Secondary School in the 2017/2018 school year, while the related costs remained relatively stable. The gross profit margin of College of Information and Business decreased from 54.6% for the year ended December 31, 2016 to 51.8% for the year ended December 31, 2017, and further to 51.0% for the year ended December 31, 2018, mainly due to an increase in cost of sales outpacing the growth in revenue as a result of larger amounts of salary and benefits of the teaching staff and depreciation and amortization.

The following table sets forth the average tuition fee and the average boarding fee by school for the periods indicated:

School Name	Average Tuition Fee(1)			Average Boarding Fee(1)		
	Year ended December 31,			Year ended December 31,		
	2016	2017	2018	2016	2017	2018
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
Changzheng College	12,261	13,044	13,904	1,360	1,417	1,573
Jingyi Secondary School(2)	6,729	9,310	10,173	752	848	766(3)
College of Information and Business	11,254	11,862	12,173	944	1,010	1,002(3)

Notes:

(1) The average tuition fee per student and the average boarding fee per student are calculated by dividing the revenue generated from tuition fees and boarding fees, respectively, by all students for the periods indicated by the number of our students enrolled as of the end of such period.

(2) For purposes of determining the average tuition fee and average boarding fee for Jingyi Secondary School, the student enrollment only includes those students enrolled in the normal program and does not include those enrolled in the training program and Rong Tong program, the fees of which were recorded in the revenue as other education service income in our consolidated financial statements.

(3) The average boarding fee for Jingyi Secondary School in the 2018/2019 school year decreased because more students under the normal program decided to commute to the school for the 2018/2019 school year. The average boarding fee for College of Information and Business in the 2018/2019 school also decreased due to more students choosing to live in dormitory rooms with six beds, which generally command lower boarding fee rates than rooms with four beds in the 2018/2019 school year.

The following table sets forth the information relating to student enrollment by school for the school years indicated:

School Name	Number of Student Enrollments(1)			
	School Year			
	2015/2016	2016/2017	2017/2018	2018/2019
Changzheng College				
Junior college program	11,152	10,992	10,874	10,520
Jingyi Secondary School				
– Normal program (普高學籍班)	884	774	617	591
– Training program (培訓班)	470	462	332	270
– Rong Tong program (融通班)	—	—	99	74
Subtotal	1,354	1,236	1,048	935
Total (our initially-controlled schools)	12,506	12,228	11,922	11,455
College of Information and Business(3)				
– Bachelor's degree program (本科)	15,722	16,230	16,372	16,946
– Junior college program (專科)	2,000	2,661	2,153	1,518
– Undergraduate-oriented junior college program(4) (專升本)	1,286	1,483	1,759	2,149
Subtotal	19,008	20,374	20,284	20,613
Total (our schools)(2)	—	—	—	32,068

Notes:

* The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority or the internal records of our schools, as the case may be.

(1) Despite the fact that our school year generally ends in July/August, for consistency purposes, we use December 31 to present our business operating data in this prospectus.

(2) As explained in footnote (3) below, total student enrollment of our schools is applicable only for the 2018/2019 school year.

(3) College of Information and Business has been a joint venture school of our Group during the Track Record Period and up to July 5, 2018, pursuant to which its student enrollment figures were not aggregated into the total student enrollment of our schools. However, pursuant to the agreement between us and Zhongyuan University of Technology in March 2017, College of Information and Business will be transformed from an independent college to a wholly privately-owned undergraduate college, pending approval from the relevant PRC government authorities. In connection with the application for transformation, the Henan Department of Education approved the amendments to the articles of association of College of Information and Business in relation to a change in the decision-making mechanism of the board of directors of the school on July 5, 2018. Beginning on July 6, 2018, the financial results of College of Information and Business had been consolidated into the financial statements of our Group, and the student enrollment figures of College of Information and Business were aggregated into the total student enrollment of our schools subsequent to July 5, 2018. Please see "Business — Our Schools" for details.

(4) Undergraduate-oriented junior college program at College of Information and Business is a degree-granting program that recruits graduates of the junior college program offered by College of Information and Business and other junior colleges in the PRC to attend the undergraduate program offered by College of Information and Business. Students are required to take the national standardized examination in connection with their applications.

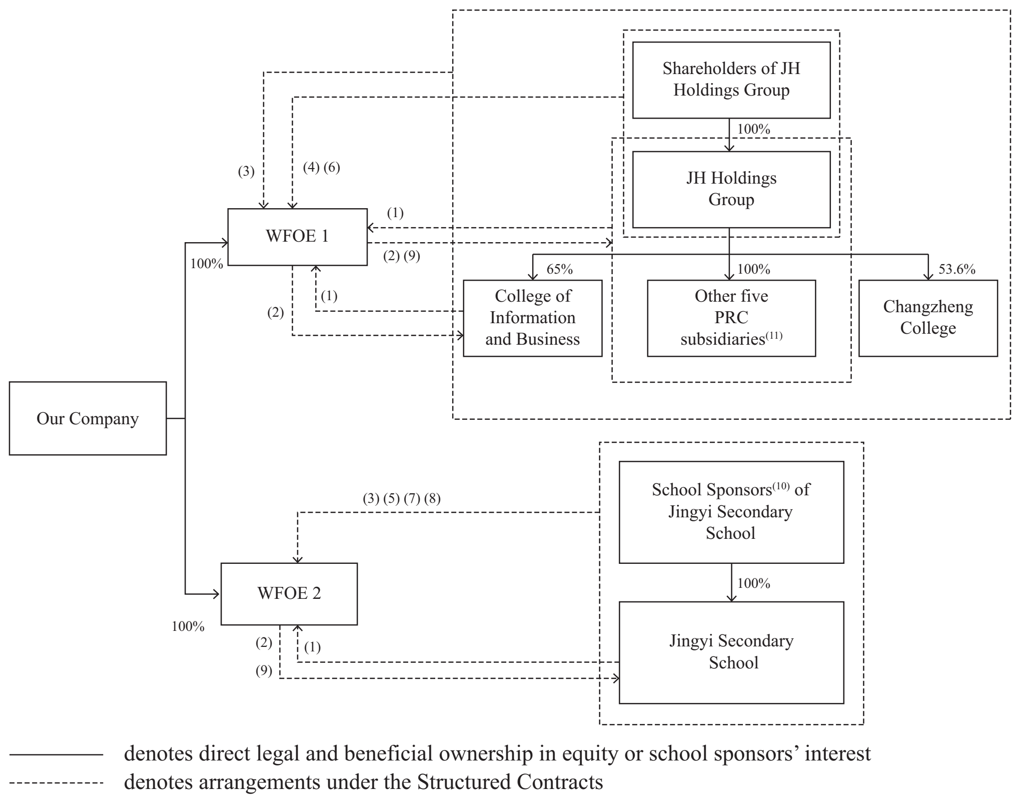
For the 2016/2017, 2017/2018 and 2018/2019 school years, our initially-operated schools had an aggregate of 12,228, 11,922 and 11,455 students, respectively, and College of Information and Business had an aggregate of 20,374, 20,284 and 20,613 students, respectively. The decrease in student enrollment of our initially-operated schools was mainly due to the decrease in students in each of Changzheng College and Jingyi Secondary School during the Track Record Period. See "Business — Our Schools — Student Enrollments and Capacity" for further details.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2016, 2017 and 2018. Our suppliers primarily comprise construction companies and information technology equipment and service providers, all of which were Independent Third Parties. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB2.2 million, RMB13.0 million and RMB12.2 million, respectively. Purchases from our largest suppliers during the Track Record Period amounted to RMB1.0 million, RMB7.7 million and RMB7.7 million, respectively.

STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities to our Group stipulated under the Structured Contracts.



See paragraph headed "Structured Contracts — Operation of the Structured Contracts" for details of the notes to the diagram.

THE CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization 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 options that may be granted under the Share Option Scheme) and pursuant to an acting in concert confirmation signed on October 9, 2018, our Controlling Shareholders constitute a group of Controlling Shareholders and will together control the exercise of voting rights of 75% of our Shares eligible to vote in the general meeting of our Company, comprising (i) Mr. Chen Yuguo and his controlled corporation, Guo's Investment Holdings Limited, which will hold 23.625% of our Shares; (ii) Mr. Chen Shu and his controlled corporation, Shu's Investment Holdings Limited, which will hold 13.5% of our Shares; (iii) Mr. Chen Lingfeng and his controlled corporation, Feng's Investment Holdings Limited, which will hold 13.5% of our Shares; (iv) Mr. Chen Yuchun and his controlled corporation, Chun's Investment Holdings Limited, which will hold 7.5% of our Shares; (v) Ms. Zhang Xuli and her controlled corporation, ZXL Investment Holdings Limited, which will hold 7.5% of our Shares; (vi) Mr. Chen Yucao and his controlled corporation, Cao's Investment Holdings Limited, which will hold 5.625% of our Shares; (vii) Mr. Chen Nansun and his controlled corporation, CNS Investment Holdings Limited, which will hold 3.75% of our Shares; and (viii) Mr. Chen Yutian. Our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective close associates after completion of the Global Offering.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on May 30, 2019. We currently do not have any detailed plan to issue any share options under the Share Option Scheme during the next 12 months. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V — Statutory and General Information — F. Share Option Scheme" in this prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

The following tables set forth our summary consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of the Group in Appendix IA to this prospectus, including the related notes, as well as the information set out in the "Financial Information" section in this prospectus.

Selected Consolidated Statements of Profit or Loss Data

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS			
Revenue	162,481	171,993	301,818
Cost of sales	(65,870)	(69,677)	(140,069)
Gross profit	96,611	102,316	161,749
Other income and gains	7,374	9,486	15,437
Selling and distribution expenses	(1,479)	(1,974)	(3,883)
Administrative expenses	(15,068)	(15,126)	(41,608)
Other expenses	(682)	(4,359)	(5,970)
Finance costs	(1)	(3)	(2,140)
Remeasurement gain of previously held equity interests in an acquiree	—	—	90,295
Share of profits of joint ventures	84,470	101,255	74,284
Share of profits of an associate	1	2	2
Profit before tax	171,226	191,597	288,166
Income tax expense	(33,821)	(986)	(1,310)
Profit for the year	137,405	190,611	286,856

Selected Consolidated Statements of Financial Position Data

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	296,657	438,014	497,971
Current liabilities	309,156	478,860	502,828
Net current liabilities	(12,499)	(40,846)	(4,857)
Total non-current assets(1)	1,020,546	1,239,397	1,372,367
Total equity	996,790	1,187,466	1,353,143

Note:

(1) Includes goodwill acquired through business combination in 2018. As of December 31, 2016, 2017 and 2018, goodwill amounted to nil, nil, and RMB111.0 million, respectively. The amount of consideration paid in connection with the business combination was RMB1,064.0 million (consisting of cash consideration of RMB240.0 million and fair value of previously held equity interests upon the acquisition of RMB824.0 million) and the amount of goodwill recognized as a percentage of total consideration was approximately 10.4%. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Our Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGU) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Our Group determines whether goodwill is impaired at least on an annual basis as at the end of each financial year. This requires an estimation of the value in use of the CGU of College of Information and Business to which the goodwill is allocated. Estimating the value in use requires our Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2018 was RMB111.0 million. The recoverable amount of the College of Information and Business as a CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2018
Revenue (% annual growth rate)	3%-6.9%
Gross profit margin (% of revenue)	50%
Long-term growth rate	3%
Pre-tax discount rate	20%

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rates – The pre-tax discount rates used are before tax and reflect specific risks relating to the College of Information and Business.

The values assigned to the key assumptions on market development of the College of Information and Business and discount rates are consistent with external information sources. The management performed impairment testing for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. No impairment loss was noted as at December 31, 2018. For further details on goodwill, see the section headed "Financial Information — Non-Current Assets — Goodwill" in this prospectus and note 15 of the Accountants' Report included in Appendix IA to this prospectus.

We had net current liabilities as of December 31, 2016, 2017 and 2018, primarily due to (i) the fact that we had contract liabilities as of the same date, which were non-cash in nature; (ii) the fact that we used a large amount of cash to finance, among others, the improvement of our school facilities at Changzheng College and Jingyi Secondary School; and (iii) the payment of considerations in connection with the transformation of College of Information and Business from an independent college to a wholly privately-owned undergraduate college, which were partially offset by cash inflows from operating activities for the same periods. These capital expenditures and prepayments, which were recorded as non-current assets, were partially financed by current liabilities, such as amounts due to shareholders and a related party.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, we had cash and cash equivalents and time deposits of RMB226.7 million, RMB303.2 million, RMB457.2 million and RMB362.8 million, respectively. Going forward, we expect to have less capital expenditure on property, plant and equipment and we will use bank borrowings for the payment of future acquisitions, which we believe will improve our operating cash flow position. In addition, we have obtained a RMB400.0 million credit facility from reputable financial institutions to help us fund our working capital. Taking into account the financial resources available to us, including our cash and cash equivalents on hand, funds generated from operations and additional debt financings we may obtain, as well as the estimated net proceeds from the Global Offering, our Directors believe, and the Sole Sponsor concurs, that we will be able to satisfy our working capital requirement in the next 12 months.

Key Financial Ratios

	As of and for the year ended December 31,		
	2016	**2017**	**2018**
Liquidity ratio			
Current ratio(1)	1.0	0.9	1.0
Profitability ratios			
Net profit margin(2)	84.6%	110.8%	95.0%
Return on assets(3)	11.5%	12.7%	16.2%
Return on equity(4)	14.6%	17.5%	22.6%
Capital adequacy ratio			
Gearing ratio(5)	0.1%	—	6.6%

Notes:

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

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

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

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

(5) 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.

Financial Impact of Acquisition during the Track Record Period

The consolidation of the financial results of College of Information and Business into the financial results of our Group on July 6, 2018 has been an important driver of the growth of our revenue and profits for the year ended December 31, 2018. The table below sets forth the information relating to the financial impact of the consolidation of College of Information and Business into our Group:

Impact on Our Financial Performance and Position

Consideration and Payment Method	Cash of RMB240.0 million and fair value of previously held equity interests upon the acquisition of RMB824.0 million
Total Identifiable Net Assets at Fair Value on the Acquisition Date (July 5, 2018)	RMB953.0 million
Goodwill on Acquisition	RMB111.0 million
Remeasurement Gain of Previously Held Equity Interests in College of Information and Business	RMB90.3 million
Deduction to Investment in Joint Venture on the Acquisition Date (July 5, 2018)	RMB733.7 million
Period Covered	From July 6, 2018 to December 31, 2018
Contribution to Revenue	RMB123.1 million
Contribution to Cost of Sales	RMB66.0 million
Contribution to Administrative Expenses	RMB6.7 million
Contribution to the Salaries and Benefits in Cost of Sales and Administrative Expenses as a whole	RMB29.8 million
Contribution to Gross Profit	RMB57.0 million
Gross Profit Margin	46.3%

Non-IFRS Measures

In order to supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of certain items that we do not consider to be indicative of the performance of our schools during the Track Record Period. We also believe that this non-IFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies. However, this non-IFRS measure does not have a standardized meaning prescribed by IFRS and therefore, it may not be comparable to similar measures presented by other companies listed on the Stock Exchange.

Adjusted Net Profit

The adjusted net profit, which is unaudited in nature, represents profit for the year excluding the effects of the remeasurement gain of previously held equity interest in College of Information and Business, and adding back the listing expenses (the "Adjusted Net Profit"). The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of the remeasurement gain of previously held equity interest in an acquiree in connection with the acquisition of College of Information and Business and the listing expenses. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year. See the section headed "Financial Information — Non-IFRS Measures" in this prospectus. The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is the profit for the year.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue	162,481	171,993	301,818
Profit before tax	171,226	191,597	288,166
Less: Income tax expense	33,821	986	1,310
Profit for the year	137,405	190,611	286,856
Less:			
Remeasurement gain of previously held equity interests in an acquiree	–	–	90,295
Add:			
Listing expenses	–	–	21,133
Adjusted net profit	137,405	190,611,	217,694
Adjusted net profit attributable to:			
Owners of our Company	96,532	122,005	123,905
Non-controlling interests	40,873	68,606	93,789
— Hangzhou Changzheng Vocational School	40,873	43,502	48,433
— Chen Jingfeng, Chen Shu and Chen Nansun	–	25,104	45,356

For the years ended December 31, 2016, 2017 and 2018, our Adjusted Net Profit for the year was RMB137.4 million, RMB190.6 million and RMB217.7 million, respectively.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We are subject to additional enterprise income tax and value-added tax after the Corporate Reorganization. On November 7, 2018, we entered into a series of arrangements in which our wholly-owned subsidiaries and WFOEs, Ningbo Jiaxin and Ningbo Xinyao, received all economic benefits from the operation of our PRC Operating Schools and/or our School Sponsors. See the section headed "Structured Contracts" in this prospectus. After the Corporate Reorganization, Ningbo Jiaxin and Ningbo Xinyao will be subject to enterprise income tax and value-added tax pursuant to the applicable PRC national and local rules and regulations. The applicable enterprise income tax rate is expected to be between 16% and 17%, and the applicable value-added tax rate is expected to be between 3.30% and 3.84%. See the section headed "Financial Information — Income Tax Expense" in this prospectus.

In addition, we recorded a one-off remeasurement gain of RMB90.3 million in 2018 in relation to the acquisition of College of Information and Business by our Group on July 5, 2018, which was non-recurring in nature. Excluding such one-off remeasurement gain, the profit of our Group for the year ended December 31, 2018 would be approximately RMB196.6 million, whereas the profit for the year ended December 31, 2017 was RMB190.6 million. As a result of the foregoing, the profit of our Group for the year ended December 31, 2018 may not be indicative of the profit of our Group for the year ending December 31, 2019. In addition, the estimated additional depreciation and amortization expenses to be incurred by us for the year ending December 31, 2019 due to the increase in the value of assets upon the acquisition of College of Information and Business would be approximately RMB11.9 million.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report of our Group in Appendix IA to this prospectus.

THE DRAFT REVISION OF THE REGULATIONS ON THE IMPLEMENTATION OF THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments. The MOE Draft for Comments further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include tax preferential treatments and other preferential policies, and preferential treatments in terms of land use by means of allocation.

On August 10, 2018, the MOJ issued the MOJ Draft for Comments to seek public comments. The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions; (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion and the registered capital of a for-profit private school providing other formal education shall be no less than RMB10.0 million; and (iv) public schools shall not establish or participate in the establishment of for-profit private schools. If a public school establishes or participates in the establishment of a non-profit private school, it shall first obtain approval from the competent government authorities, and shall not use the state's fiscal funds, affect the public school's teaching activities, or obtain profits through brand output.

As advised by our PRC Legal Advisors, all of our PRC Operating Schools shall be subject to the MOJ Draft for Comments. For details of the potential impact of the MOJ Draft for Comments, see the section headed "Business — The Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC" in this prospectus.

The MOJ had previously required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, which had expired. However, it has not provided the timeframe for the promulgation of the renewed Implementation Rules on the Law for Promoting Private Education of the PRC. As of the Latest Practicable Date, no renewed Implementation Rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the form and content of the upcoming renewed Implementation Rules on the Law for Promoting Private Education of the PRC. We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Advisors for the developments of the MOJ Draft for Comments, and will make the relevant amendments to our Group's decision in response to the developments of MOJ Draft for Comments after consulting our PRC Legal Advisors.

LISTING EXPENSES

We expect to incur a total of RMB54.4 million of listing expenses (assuming an Offer Price of HK$1.71, being the mid-point of the indicative Offer Price range between HK$1.50 and HK$1.92, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB21.1 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB6.0 million has been capitalized for the year ended December 31, 2018. For the remaining listing expense, RMB10.7 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2019 and RMB16.6 million is to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions and discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.50 per Share	Based on an Offer Price of HK$1.92 per Share
Market capitalization of our Shares(1)	HK$2,400 million	HK$3,072 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share(2)	HK$1.02	HK$1.13

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 1,600,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 1,600,000,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$653.0 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$1.71 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$99.7 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$1.71 per Share.

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

Use of Proceeds	Approximate Percentage of Net Proceeds	Appropriate Amount
	%	*HK$ in millions*
Acquire other schools to expand our school network, in particular, qualified undergraduate colleges and/or junior colleges, including private universities and independent colleges whose school sponsors have elected or intend to elect them to be for-private schools in central China, eastern China and southern China	50.0%	326.5
Expand our business, including establishing new campuses for College of Information and Business and Changzheng College	40.0%	261.2
Fund our working capital and general corporate purposes	10.0%	65.3

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

DIVIDENDS

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating

Schools, which are primarily incorporated in the PRC. No dividend has been paid or declared by the Company since its incorporation. Dividends of RMB21.3 million, nil and RMB23.2 million were declared by Changzheng College, a subsidiary of the Company, to a non-controlling shareholder during the years ended December 31, 2016, 2017 and 2018, respectively. Meanwhile, Changzheng College also declared dividends to its controlling shareholder, JH Holdings Group, during the Track Record Period, which were intra-group transactions in nature and were eliminated in the consolidated financial statement of our Group. The determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future. See “Financial Information — Dividends” in this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) we are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Comments, and if implemented in its current form, may have an adverse effect on the development, operation and management of our schools; (ii) our business is heavily dependent on the market recognition of the brand and reputation of our schools and our Group; (iii) we may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities; and (iv) our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fees. See “Risk Factors” in this prospectus.

PROPERTY VALUATION

According to the property valuation report prepared by Asia-Pacific Consulting and Appraisal Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus. See “Business — Properties” and Appendix III to this prospectus. For risks associated with the assumptions made in the valuation of our properties, see “Risk Factors — Risks Relating to Our Business and Our Industry — The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change” in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were not in compliance with certain PRC laws and regulations, primarily including (i) we did not make contributions to social insurance plans and housing provident fund for certain of our employees; (ii) we failed to pay social insurance and housing provident fund in full for certain employees of our schools; (iii) Jingyi Secondary School admitted certain students under the training program who were not registered with the local education bureau; (iv) without first making the requisite filings with the relevant government pricing authority, Jingyi Secondary School charged different tuition fee rates for its students; (v) Jingyi Secondary School charged a portion of the tuition fees that were paid in advance by certain students at the time when they first enrolled in Jingyi Secondary School for the next three school years; and (vi) we had surcharge for overdue tax payment for the years ended December 31, 2017 and 2018, respectively, due to our delay in making the relevant tax payments. See “Business – Legal Proceedings and Compliance” in this prospectus.

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

"Accounts Receivable Pledge Agreement"	the accounts receivable pledge agreement entered into by and among the WFOE 2, Jingyi Secondary School and the School Sponsors of Jingyi Secondary School dated November 7, 2018
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on May 30, 2019, which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs in charge of regulation of private postsecondary educational institutions operating in the state of California, the United States
"Business Cooperation Agreements"	the business cooperation agreements entered into by and among (i) the WFOE 1, JH Holdings Group and its subsidiaries, and the Shareholders of JH Holdings Group; and (ii) the WFOE 2, Jingyi Secondary School, and the School Sponsors of Jingyi Secondary School, each dated November 7, 2018
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"California School"	California Business School, a school to be established in the State of California, the United States

"Capitalization Issue"	the issue of 1,199,000,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "A. Further Information about Our Company — 4. Written Resolutions of the then Shareholders passed on May 30, 2019" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"Changzheng College"	Zhejiang Changzheng Vocational & Technical College* (浙江長征職業技術學院), a private higher education institution established under the laws of the PRC on November 18, 2005, of which the school capital contributor's interest is owned as to 53.62% by JH Holdings Group and 46.38% by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), and a consolidated affiliated entity of our Company as of the Latest Practicable Date
"China" or "the PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"College of Information and Business"	Zhongyuan University of Technology College of Information and Business* (中原工學院信息商務學院), an independent college established under the laws of the PRC in December 2003, of which the school capital contributor's interest is owned as to 65% by JH Holdings Group and 35% by Zhongyuan University of Technology* (中原工學院), and a consolidated affiliated entity of our Company as of the Latest Practicable Date

"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Co-Lead Manager"	Sinomax Securities Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	JH Educational Technology INC. 嘉宏教育科技有限公司, an exempted company incorporated in the Cayman Islands with limited liability on June 23, 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun, Ms. Zhang Xuli, Guo's Investment Holdings Limited, Chun's Investment Holdings Limited, Cao's Investment Holdings Limited, Shu's Investment Holdings Limited, Feng's Investment Holdings Limited, CNS Investment Holdings Limited and ZXL Investment Holdings Limited
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure — Corporate Reorganization" in this prospectus
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated May 30, 2019 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information — 1. Deed of Indemnity" in Appendix V to this prospectus

"Director(s)"	the directors of our Company
"Director's Powers of Attorney"	the powers of attorney executed by each of the directors appointed by the School Sponsors of Jingyi Secondary School in favor of the WFOE 2 each dated November 7, 2018
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國外國投資法(草案徵求意見稿)) issued by MOFCOM on January 19, 2015 for public consultation
"EIT" or "corporate income tax"	enterprise income tax or corporate income tax under PRC law
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People's Congress of the PRC on March 16, 2007 and which became effective on January 1, 2008
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Shareholders of JH Holdings Group, JH Holdings Group, the WFOE 1 and WFOE 2 dated November 7, 2018
"Exclusive Call Option Agreements"	the exclusive call option agreements entered into by and among (i) the WFOE 1, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries, and (ii) the WFOE 2, Jingyi Secondary School and the School Sponsors of Jingyi Secondary School, each dated November 7, 2018
"Exclusive Technical Service and Management Consultancy Agreements"	the exclusive technical service and management consultancy agreements entered into by and among (i) the WFOE 1, JH Holdings Group and its subsidiaries; (ii) the WFOE 2 and Jingyi Secondary School; and (iii) the WFOE 1 and College of Information and Business, each dated November 7, 2018
"FIE"	foreign invested enterprise
"FIL"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) approved by the National People's Congress on March 15, 2019, which will come into effect on January 1, 2020
"Foreign Investment Catalog"	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2017)》), which was promulgated jointly by MOFCOM and the NDRC on June 28, 2017 and became effective from July 28, 2017, which is amended from time to time

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by **WHITE Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Henan Implementing Opinions"	Implementing Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education* (河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見), promulgated by the People's Government of Henan Province on February 2, 2018
"HK$", "Hong Kong dollar(s)"	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering"	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 3, 2019 relating to the Hong Kong Public Offering entered into by our Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters
"IFRS"	the International Financial Reporting Standard(s)
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"International Placing"	the conditional placing of the International Placing Shares to institutional, professional and other investors
"International Placing Agreement"	the underwriting agreement relating to the International Placing which is expected to be entered into by our Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or about the date of the Price Determination Agreement
"International Placing Share(s)"	the 360,000,000 new Shares to be offered by us (subject to adjustment as set out in the section headed "Structure of the Global Offering" in this prospectus and the Over-allotment Option) under the International Placing
"International Underwriters"	the underwriters of the International Placing
"JH BVI"	JH Educational Technology Holdings Limited, a limited liability company incorporated in BVI on June 8, 2018 and a wholly-owned subsidiary of our Company
"JH HK"	JH Educational Technology HK Limited (嘉宏教育科技香港有限公司), a limited liability company incorporated in HK on July 19, 2017 and a wholly-owned subsidiary of our Company
"JH Holdings Group"	JH Holdings Group Company Limited* (嘉宏控股集團有限公司), formerly known as Zhejiang JH Education

	Group Company Limited* (浙江嘉宏教育集團有限公司), a limited liability company established under the laws of the PRC on June 17, 2003, which is owned as to 31.5% by Mr. Chen Yuguo (陳餘國), as to 18% by Mr. Chen Shu (陳澍), as to 18% by Mr. Chen Lingfeng (陳淩峰), as to 10% by Mr. Chen Yuchun (陳餘春), as to 10% by Ms. Zhang Xuli (張旭麗), as to 7.5% by Mr. Chen Yucao (陳餘曹) and as to 5% by Mr. Chen Nansun (陳南蓀)
"Jiaren US"	Jiaren Technologies, Inc., a corporate established in the U.S. on August 27, 2018 and a wholly-owned subsidiary of our Company
"Jiaxin Training"	Yueqing Jiaxin Education Training Center Company Limited* (樂清嘉信教育培訓中心有限公司), a limited liability company established under the laws of the PRC on November 7, 2018 and wholly-owned by the WFOE 1
"Jingyi Secondary School"	Yueqing Jingyi Secondary School* (樂清市精益中學), a private formal high school education institution established under the laws of the PRC on September 25, 1997, of which the school sponsor's interest is owned as to 45% by Mr. Chen Yuguo (陳餘國), as to 25% by Mr. Chen Yucao (陳餘曹), as to 15% by Mr. Chen Yuchun (陳餘春) and as to 15% by Mr. Chen Yutian (陳餘鈿) as of the Latest Practicable Date, and a consolidated affiliated entity of our Company
"Joint Bookrunners" or "Joint Lead Managers"	Macquarie Capital Limited, Haitong International Securities Company Limited, BOCOM International Securities Limited, WE Securities Limited and Yuanyin Securities Limited
"Latest Practicable Date"	May 27, 2019, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about June 18, 2019 on which our Shares are listed and from which dealings in our Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"Loan Agreements"	the loan agreements entered into by and among (i) the WFOE 1, JH Holdings Group and its subsidiaries; and (ii) the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, each dated November 7, 2018
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Main Campus"	the main campus of College of Information and Business, located at No. 2 Double Lake Boulevard, Longhu Town, Xinzheng, Zhengzhou, Henan province, the PRC
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on May 30, 2019 and as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOE Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) issued by the MOE on April 20, 2018 to seek public comments
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the Ministry of Justice on August 10, 2018 to seek public comments
"mu"	a traditional unit of land area in China. One mu equals approximately 666.67 sq. m.
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"NDRC"	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)
"North Campus"	the north campus of College of Information and Business, located at No. 41 Zhongyuan Middle Road, Zhengzhou, Henan province, the PRC
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed or purchased under the Hong Kong Public Offering and the International Placing, to be determined in the manner further set out in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Public Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares to be allotted and issued upon the exercise of the Over-allotment Option
"our initially-controlled schools"	refers to Changzheng College and Jingyi Secondary School during the Track Record Period and up to July 5, 2018
"our joint venture school"	refers to College of Information and Business during the Track Record Period and up to July 5, 2018
"our schools"	refers to Changzheng College, College of Information and Business and Jingyi Secondary School subsequent to July 5, 2018
"Over-allotment Option"	the option granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) under the International Placing Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 60,000,000 additional Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover over-allocations in the International Placing
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time

"PRC Consolidated Affiliated Entities"	entities consolidated into our Group from time to time, and as of the Latest Practicable Date, comprising of our PRC Operating Schools, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors" or "PRC Legal Advisers"	Jingtian & Gongcheng, our legal advisors as to PRC laws
"PRC Operating Schools"	namely, Changzheng College, College of Information and Business and Jingyi Secondary School
"Price Determination Agreement"	the agreement expected to be entered into among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about the Price Determination Date to record the agreement on the final Offer Price
"Price Determination Date"	the date, expected to be on or around Tuesday, June 11, 2019 and, in any event, not later than Thursday, June 13, 2019, on which the final Offer Price is to be fixed for the purpose of the Global Offering
"Public Offer Share(s)"	the 40,000,000 new Shares (subject to adjustment as set out in the section headed "Structure of the Global Offering" in this prospectus) being offered by us for subscription under the Hong Kong Public Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

"School Sponsors' and Directors' Rights Entrustment Agreement"	the school sponsors' and directors' rights entrustment agreement entered into by and among Jingyi Secondary School, the School Sponsors of Jingyi Secondary School, the school directors of Jingyi Secondary School and the WFOE 2 dated November 7, 2018
"School Sponsor(s) of Jingyi Secondary School"	the school sponsors of Jingyi Secondary School, namely Mr. Chen Yuguo (陳餘國), Mr. Chen Yucao (陳餘曹), Mr. Chen Yuchun (陳餘春) and Mr. Chen Yutian (陳餘鈿)
"School Sponsor's Power(s) of Attorney"	the powers of attorney executed by each of the School Sponsors of Jingyi Secondary School in favor of the WFOE 2, each dated November 7, 2018
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Powers of Attorney"	the powers of attorney executed by each of the Shareholders of JH Holdings Group in favor of the WFOE 1, each dated November 7, 2018
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Shareholders of JH Holdings Group, JH Holdings Group and the WFOE 1 dated November 7, 2018
"Shareholder(s) of JH Holdings Group"	the shareholders of JH Holdings Group, namely Mr. Chen Yuguo (陳餘國), Mr. Chen Shu (陳澍), Mr. Chen Lingfeng (陳淩峰), Mr. Chen Yuchun (陳餘春), Ms. Zhang Xuli (張旭麗), Mr. Chen Yucao (陳餘曹) and Mr. Chen Nansun (陳南蓀)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on May 30, 2019, the principal terms of which are set out in the section headed "F. Share Option Scheme" in Appendix V to this prospectus
"Sino-foreign Regulation"	the Regulation on Sino-foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on July 18, 2013

"Sole Global Coordinator"	Macquarie Capital Limited
"Sole Sponsor"	Macquarie Capital Limited, a corporation licensed under the SFO permitted to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
"Spouse Undertaking(s)"	the spouse undertakings executed by each of the spouse of Mr. Chen Yuguo (陳餘國), Mr. Chen Shu (陳澍), Mr. Chen Yuchun (陳餘春), Ms. Zhang Xuli (張旭麗), Mr. Chen Yucao (陳餘曹), Mr. Chen Nansun (陳南蓀) and Mr. Chen Yutian (陳餘鈿), each dated November 7, 2018
"sq. m."	square meters
"Stabilizing Manager"	Macquarie Capital Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Feng's Investment Holdings Limited and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Structured Contracts I and the Structured Contracts II
"Structured Contracts I"	collectively, (i) the Business Cooperation Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries, and the Shareholders of JH Holdings Group; (ii) the Exclusive Technical Service and Management Consultancy Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries; (iii) the Exclusive Technical Service and Management Consultancy Agreement entered into between the WFOE 1 and College of Information and Business; (iv) the Exclusive Call Option Agreement entered into by and among the WFOE 1, the Shareholders of JH Holdings Group, and JH Holdings Group and its subsidiaries; (v) the Shareholders' Rights Entrustment Agreement entered into by and among the WFOE 1, the Shareholders of JH Holdings Group and JH Holdings Group; (vi) the Shareholder's Powers of Attorney; (vii) the Equity Pledge Agreement entered into by and among the WFOE 1, the WFOE 2, the

	Shareholders of JH Holdings Group and JH Holdings Group; and (viii) the Loan Agreement entered into by among the WFOE 1, JH Holdings Group and its subsidiaries, further details of which are set out in the section headed "Structured Contracts" in this prospectus
"Structured Contracts II"	collectively, (i) the Business Cooperation Agreement entered into by and among the WFOE 2, Jingyi Secondary School, and the School Sponsors of Jingyi Secondary School; (ii) the Exclusive Technical Service and Management Consultancy Agreement entered into between WFOE 2 and Jingyi Secondary School; (iii) the Exclusive Call Option Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School, the school directors of Jingyi Secondary School and Jingyi Secondary School; (iv) the School Sponsors' and Directors' Rights Entrustment Agreement; (v) the School Sponsor's Powers of Attorney; (vi) the Directors' Powers of Attorney; (vii) the Accounts Receivable Pledge Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School; and (vii) the Loan Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, further details of which are set out in the section headed "Structured Contracts" in this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of our Company include our PRC Consolidated Affiliated Entities in this prospectus
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers and Shares Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2016, 2017 and 2018
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Placing Agreement
"US$", "U.S. dollar(s)"	United States dollars and cents, respectively, the lawful currency for the time being of the United States
"VAT"	the value added tax in the PRC
"Wenzhou Jiaren"	Wenzhou Jiaren Investment Company Limited* (溫州嘉仁投資有限公司), a limited liability company established under the laws of the PRC on December 5, 2007, which is wholly-owned by JH Holdings Group
"WFOE 1" or "Ningbo Jiaxin"	JX Educational Technology INC* (寧波嘉信教育科技有限責任公司), a limited liability company established under the laws of the PRC on January 10, 2018, which is wholly owned by JH HK
"WFOE 2" or "Ningbo Xinyao"	XY Educational Technology INC* (寧波新耀教育科技有限責任公司), a limited liability company established under the laws of the PRC on September 14, 2018, which is wholly-owned by JH HK
"WFOEs"	WFOE 1 and WFOE 2 collectively
"WHITE Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicant's own name
"**White Form eIPO**"	the application for Public 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
"Yangtze River Delta"	the triangle-shaped territory of Shanghai, Jiangsu province and Zhejiang province
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

"Yueqing JH Investment"	Yueqing Jiahong Investment Company Limited* (樂清嘉宏投資有限公司), formerly known as Yueqing Jiahong Logistics Service Company Limited* (樂清嘉宏後勤服務有限公司), a limited liability company established under the laws of the PRC on May 26, 2017 and wholly owned by JH Holdings Group
"Yueqing Jialuo"	Yueqing Jialuo Investment Company Limited* (樂清嘉洛投資有限公司), formerly known as Yueqing Jialuo Logistics Service Company Limited* (樂清嘉洛後勤服務有限公司), a limited liability company established under the laws of the PRC on May 26, 2017 and wholly owned by JH Holdings Group
"Yueqing Jiasheng"	Yueqing Jiasheng Investment Company Limited* (樂清嘉勝投資有限公司), formerly known as Yueqing Jiahong Education Technology Company Limited* (樂清嘉宏教育科技有限公司), a limited liability company established under the laws of the PRC on May 26, 2017 and wholly owned by JH Holdings Group
"Yueqing Jiazheng"	Yueqing Jiazheng Investment Company Limited* (樂清嘉正投資有限公司), a limited liability company established under the laws of the PRC on July 2, 2018 and wholly owned by JH Holdings Group
"Zhejiang Implementing Opinions"	Implementing Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education* (浙江省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見), promulgated by the People's Government of Zhejiang Province on December 26, 2017
"%"	per cent
"2016 Decision"	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) approved by the Standing Committee of the National People's Congress on November 7, 2016, which took effect on September 1, 2017

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

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of HK$1.0 = RMB0.8782 or US$1.0 = RMB6.8924, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts *in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.*

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

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

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

"CAGR"	compound annual growth rate
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (中華人民共和國義務教育法)
"formal education"	education systems that provide students with the opportunity to earn official certificates from the PRC government
"Gaokao"	a national academic examination held annually in the PRC, which is a prerequisite for entrance into almost all higher education institutions in the PRC
"high schools"	schools that provide education for students in grade ten through grade twelve
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organizations other than governmental institutions using non-state funds
"initial employment rate"	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programs, or accepted an offer to pursue overseas study or employment, before graduation. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered
"junior college"	a school that offers a three-year post-secondary formal education program that generally enrolls high school graduates who have taken Gaokao, and upon completion of which a junior college degree will be granted
"middle school(s)"	schools that provide education for students from grade seven to grade nine
"primary education"	typically the first stage of compulsory education, which comprises grades one through six

"private higher education institution"	a PRC private higher education institution (民辦高等教育機構) that is operated by non-governmental entity(ies) or individual(s) where public funding is not a major source of capital and has open admission and enrolment to the public. It is able to offer junior college, undergraduate and graduate courses. Private higher education institutions include private regular university, private junior college and independent college
"private schools"	schools which are not administered by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on June 30 of the next calendar year
"secondary education"	normally takes place after primary education and may be followed by higher education or vocational training
"SME"	small- and mid-sized enterprise
"Zhongkao"	also known as the Senior High School Entrance Examination, the academic examination held annually in the PRC to distinguish middle school students

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

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

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

We are subject to uncertainties brought by the MOJ Draft for Comments, which if implemented in its current form, may have an adverse impact on the development, operation and management of our schools.

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments, and on August 10, 2018, the MOJ issued the MOJ Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments stipulates the classified management for non-profit private schools and for-profit private schools. The MOJ Draft for Comments further stipulates, among other things, that (i) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion and the registered capital of a for-profit private school providing other formal education shall be no less than RMB10.0 million; and (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance. For further details of the MOJ Draft for Comments, see the section headed "Business – The Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC" in this prospectus.

According to the Implementation Measures for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) promulgated by five PRC government authorities, including the MOE, on December 30, 2016, existing private schools are required to choose to register as non-profit private schools or for-profit private schools with competent government authorities. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the 2016 Decision, see the section headed "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus.

The boards of directors of Changzheng College and Jingyi Secondary School have resolved in 2018 to register such schools as for-profit private schools, and we intend to register College of Information and Business as a for-profit private school before the end of 2022 after the local authorities in Henan province promulgate the detailed rules and regulations governing the conversion, and College of Information and Business subsequently completes its transformation.

Accordingly, under the MOJ Draft for Comments, we may be required to increase the registered capital of each of Changzheng College and College of Information and Business to no less than RMB0.2 billion, and to increase the registered capital of Jingyi Secondary School to no less than RMB10.0 million. As of the Latest Practicable Date, Changzheng College and College of Information and Business had a registered capital of approximately RMB21.9 million and RMB10.0 million, respectively, and Jingyi Secondary School had a registered capital of RMB1.0 million. We may need to use available capital reserve (with respect to College of Information and Business), internally generated funds from our Group's operations and to the extent necessary, bank borrowings, to satisfy such requirement, which could create strains on our financial condition and adversely affect our business operations.

In addition, under the MOJ Draft for Comments, our Structured Contracts may be regarded as connected transactions of our private schools and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention. Government authorities may, during their review and audit process, compel us to make modifications to our Structured Contracts, which may in turn adversely affect the operation of our Structured Contracts. Government authorities may also find that one or more agreements underlying our Structured Contracts do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our operations and financial condition.

The MOJ required that the comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, which had expired. However, it has not provided the timeframe for the promulgation of the renewed Implementation Rules on the Law for Promoting Private Education of the PRC. As of the Latest Practicable Date, no renewed Implementation Rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the form and content of the renewed Implementation Rules on the Law for Promoting Private Education of the PRC to be promulgated.

Furthermore, given the evolving regulatory environment, there is uncertainty as to whether the MOJ Draft for Comments will be legislated in the same form as published for consultation and how they will be interpreted and implemented. We are unable to predict with certainty the impact, if any, that future legislation or regulations relating to the implementation of the laws promoting private education in the PRC will have on our business, financial condition and results of operations. As of the Latest Practicable Date, we have not been notified of or been subject to any material fines or other penalties under any PRC laws or regulations in respect of our Group's existing corporate structure, including the use of the Structured Contracts. If our Group's existing corporate structure or the Structured Contracts are deemed to violate any rules, laws or regulations, we may be required to terminate or amend the Structured Contracts, our license to operate private schools may be revoked, canceled or not renewed and we may be exposed to other penalties as determined by the relevant government authorities. We may also be restricted from further expanding our schools or school network. If such situations occur, our business, financial condition and prospects would be materially and adversely affected.

We may be subject to the changes in the laws and regulations, which may affect the PRC private education industry in general.

On November 15, 2018, the State Council published Certain Opinions of the State Council on Deepening the Reform of Preschool Education (《中共中央國務院關於學前教育深化改革規範發展的若干意見》), which provided guidance, among other things, on (i) widening the coverage of the pre-school education; (ii) improving the qualification and training of kindergarten teachers; (iii) providing comprehensive facilities and resources to kindergartens; (iv) strengthening the subsidy system for pre-school education; (v) ensuring sufficient teachers and medical officers available in kindergartens; and (vi) tightening the management and operation of kindergartens. The Certain Opinions of the State Council on Deepening the Reform of Preschool Education also disallowed private kindergartens to be listed or listed companies to invest in or acquire any for-profit kindergartens. Our Group does not engage or plan to engage in kindergarten education. Our Directors are of the view that the business of our Group is not restricted by the Certain Opinions of the State Council on Deepening the Reform of Preschool Education and therefore, the Certain Opinions of the State Council on Deepening the Reform of Preschool Education would not have any material adverse effect on the business operations and financial performance of our Group. However, considering the continuing tightening education regulations by the PRC government, these changes in the laws and regulations have affected and will continue to affect the PRC private education industry in which we operate. We cannot assure you that our business operation and financial results would not be adversely affected by any new laws or regulations to be promulgated by the PRC government authorities going forward.

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

We were the fourth and seventh largest private higher education providers in Zhejiang and Henan provinces, respectively, in terms of the total number of student enrollments as of December 31, 2017, according to the Frost & Sullivan Report. We believe that our success is heavily dependent on the market recognition of the brand and reputation of our schools and our Group. Our ability to maintain such reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and broaden the range of our business and services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to loss of confidence in the brand name of our schools as well as our Group.

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

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

College of Information and Business has historically depended on the brand name and market recognition of "Zhongyuan University of Technology* (中原工學院)", our inability to continue to rely on such brand name and market recognition after the transformation of College of Information and Business may materially and adversely affect our business, financial conditions, results of operations and prospects.

Pursuant to the cooperation agreements entered into between Zhongyuan University of Technology and JH Holdings Group, College of Information and Business has historically relied on the brand name and market recognition of "Zhongyuan University of Technology (中原工學院)" in connection with the recruitment of its students and teaching staff, which we believe had contributed to the success of College of Information and Business. Based on a series of termination and transformation agreements we entered into with Zhongyuan University of Technology to terminate the cooperation agreements, College of Information and Business will be transformed from an independent college to a wholly privately-owned undergraduate college, subject to the final approval of the MOE. Accordingly, College of Information and Business will no longer be able to rely on the brand name and market recognition of "Zhongyuan University of Technology* (中原工學院)" subsequent to the effective transformation. After the transformation, we will rename College of Information and Business as "Zhengzhou College of Economics & Business* (鄭州經貿學院)". If we fail to successfully promote and maintain such new brand, students graduating from Zhengzhou College of Economics & Business may not be able to attract high-quality job opportunities and enjoy similar career prospects as the students who graduated from College of Information and Business when it was an independent college of Zhongyuan University of Technology, which may result in our inability to attract and recruit new students and expand the student enrollment of Zhengzhou College of Economics & Business. In the event this occurs, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

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

We have experienced steady growth and expansion since our inception that has placed, and continues to place, significant pressure on our management and resources. We plan to leverage our existing operations and resources to further expand our business operations and enhance our market penetration by (i) constructing new student dormitories, a student knowledge exchange center and canteens on the existing campus of Changzheng College in Hangzhou, Zhejiang province, and putting them into use during the 2019/2020 school year; (ii) establishing a new campus of Changzheng College in Hangzhou with an anticipated total gross site area of approximately 252,000 sq. m., which will have an expected school capacity of 10,000 students; (iii) constructing three additional student dormitories and two new teaching buildings in the Main Campus, which are expected to be put into use beginning in the 2020/2021 school year; and (iv) establishing a new campus in Kaifeng, Henan province, with an anticipated total gross site area of approximately 666,000 sq. m., which will have an expected capacity of 15,000 students.

We may not be able to obtain the relevant land use rights necessary to establish the new campuses for Changzheng College and College of Information and Business within the time period we anticipate, or at all. In addition, to manage and support our growth, we must make enhancements to our existing operational, administrative and technological systems, our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative, sales and marketing personnel. All of these efforts require substantial management time and know-how as well as the commitment of significant additional resources and expenditures. If we cannot adequately upgrade or strengthen our operational, administrative and technological systems and our financial and management controls to support our future expansion, we may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate entities we establish or acquire into our business operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results. Even if we are able to maintain or expand student enrollment in our existing schools, we may be unable to retain a sufficient number of these students or attract prospective students in the future to expand the scale of our operations, which could adversely impact our business, financial condition and results of operations.

Furthermore, as part of our business strategies and our efforts to meet the Qualification Requirement, we plan to establish the California School, a degree-granting higher education institution in California, the United States, to mainly offer education programs relating to business administration and international business. As of the Latest Practicable Date, we had established a subsidiary in the United States for the proposed investment and development of the California School. Please refer to "Business — Our Business Strategies — Expand our business operations and school network to achieve economies of scale" 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 the California School in the United States. If we fail to successfully execute our growth strategies, we may not be able to realize our expansion and our business, financial condition and results of operations may be materially and adversely affected.

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

We have considered expanding our business and school network by establishing new schools ourselves or acquiring existing schools. We believe we face challenges in integrating business operations and management philosophies of the schools we may acquire. We believe the benefits of our prospective acquisitions will mainly hinge on our ability to effectively and timely integrate the management, operations and personnel of these schools. The integration of the schools we acquire is a complex, time-consuming and costly process that, without proper arrangement and implementation, could seriously interfere with our business operations and damage our reputation. Our Directors consider the main challenges involved in integrating acquired entities to include the following:

- retaining qualified teaching staff of any acquired school;
- consolidating educational services offered by the acquired school;
- complying with regulatory requirements;
- the acquired schools having a culture that may be adverse to change and may not be receptive to our education values and methods;
- integrating educational and administrative systems;
- minimizing disruptions to existing students' curricula and ensuring their ability to progress through the education system is not hindered as a result of the acquisition;
- ensuring and illustrating 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 be able to successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all, and we may not realize the expected benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipated, which may have a material adverse effect on our business, financial condition and results of operations.

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

According to the Frost & Sullivan Report, although the high barriers to entry may deter new competitors from entering the private education industry in the PRC, there is intense competition among existing market players. The education sector in China is fast evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We compete with public and other private schools in the PRC that offer similar higher education and programs. We compete with these schools based on a range of factors, including, but not limited to, majors and curriculum offerings, tuition fee levels, boarding fee levels, expertise and reputation of teachers, and school location and facilities. Public schools may enjoy favorable treatment from government authorities in respect of, among other things, tax exemptions and government subsidies. Our competitors may adopt similar or better curriculums, school support and marketing strategies, with more appealing pricing and service packages than what we are able to offer. In addition, some of our competitors may have more resources than we do and may be able to dedicate greater resources than we can to the development and promotion of the schools and respond more quickly than we can to changes in student demand, market needs and/or new technologies. As such, we may be required to lower our tuition fees and boarding fees or increase our spending in order to be competitive by retaining or attracting students and qualified teachers or identifying and pursuing new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, attracting and retaining qualified teachers or other key personnel, enhancing the quality of our educational services or controlling the costs of our operations, our business, results of operations and financial condition may be materially and adversely affected.

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

The tuition fees we are able to charge at our school are one of the most significant factors affecting our profitability. For the years ended December 31, 2016, 2017 and 2018, tuition fees constituted 86.2%, 85.8% and 88.1% of our total revenue, respectively, while the boarding fees accounted for the remainder. Our tuition fee rates are mainly determined based on, among other things, the quality of our education service, the demand for our educational programs, the cost of our operations, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in the PRC and in the areas in which our schools are located. Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費暫行管理辦法》) promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by private schools providing formal education must be approved by the relevant governmental pricing authority and education bureau. As of the Latest Practicable Date, Jingyi Secondary School was subject to government price management and was required to obtain prior filings from the relevant government authorities before adjusting tuition fee rates, whereas College of Information and Business had the discretion to set the tuition fee rates within the statutory upper limits to newly enrolled students, subject to the prior filings to be made with the pricing authority of Henan province. There can be no assurance that the relevant governmental pricing authorities will approve any future applications to raise our tuition fee rates in a timely manner or at all. If the governmental pricing authorities disapprove our applications, or otherwise limit our ability to increase tuition fee rates at our schools in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. Changzheng College has been able to have the discretion to adjust tuition fee rates by making requisite filings with the pricing and education authorities of Zhejiang province since the 2016/2017 school year, there is no assurance that the relevant government authorities will not take away such discretion enjoyed by Changzheng College in the future. In addition, according to the requirements of the relevant government pricing and education authorities, the new tuition fee rates were only applicable to newly admitted students and the tuition fee rates for the then existing students were not affected. There can be no assurance that we will be able to maintain or raise the tuition fee and/or boarding fee rates we charge at our schools in the future due to various reasons, including the failure to obtain necessary approvals for fee rate increases or other factors beyond our control, or even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you how such increases in fee rates will impact the number of student applications and enrollment at our schools. Our business, financial position and results of operations may be materially and adversely affected if we are unable to maintain or raise the tuition or attract sufficient prospective students.

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

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

One of the most significant factors affecting our profitability is the number of students enrolled at our schools. For the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the total number of students enrolled at our initially-controlled schools was 12,506, 12,228, 11,922 and 11,455, respectively, and the number of student enrollments at College of Information and Business was 19,008, 20,374, 20,284 and 20,613, respectively. However, since all of our schools are boarding schools, the number of student enrollments at each of our schools is restricted by student capacity, which is determined by the number of beds available in student dormitories. For the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, our average school utilization rate of our initially-controlled schools estimated by dividing the number of student enrollments by the available beds was 95.3%, 93.8%, 94.5% and 90.8%, respectively, and the utilization rate of College of Information and Business was 85.2%, 88.8%, 88.4% and 89.8%, respectively. The school utilization rate of our schools for the 2018/2019 school year was 90.4%. We cannot assure you that we will be able to maintain a stable school utilization rate and sufficient number of beds for students enrolled in our schools in the future in the event that enrollment applications exceed our expectation.

Furthermore, the number of students our schools are able to admit each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), the student enrollment for undergraduate programs are subject to the approval of the MOE, while the student enrollment for junior college programs are subject to the approval of the relevant provincial education authorities. In the spirit of further promoting equal access to education in urban and rural areas, the Notice of the Ministry of Education on Enrollment of Ordinary Colleges and Universities issued in 2016 (《教育部關於做好2016年普通高校招生的通知》) instructs universities and colleges to further improve their respective enrollment plan by taking into account the number of students currently enrolled and the number of applications received, their own operational conditions, quality of education, school reputation, employment status of their graduates, overall regional economic and educational conditions and policies and other factors. We cannot assure you that we are able to successfully increase student capacity at our schools, which is subject to the approvals of the relevant government authorities, and which is beyond our control.

As we charge tuition fees and boarding fees from our students, the total number of enrolled students determines our total revenue. As of December 31, 2018, we had a total of 32,068 students enrolled at our schools. If the student enrollment quotas for our schools do not increase or even decreases in the future, which, in turn, results in a decrease in the total number of our enrolled students, our total revenue may not grow as expected or may decline, which in turn will have a material adverse impact on our business, financial condition and results of operations. In addition, there can be no assurance that students who have received our offer letters would decide to register with us. For example, some university applicants who have been admitted for a junior college program may choose not to register with our Changzheng College or College of Information and Business. If the number of such students increases, which will impact the number of our enrolled students, our business, financial position and results of operations may in turn be materially and adversely affected.

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

Our business relies heavily on our ability to recruit, train and retain highly qualified teachers.

We rely substantially on our teachers to provide educational services to our students. Therefore, our teachers and their qualifications are critical in maintaining the quality of our programs and services and in upholding our brand and reputation. As of December 31, 2018, we had an aggregate of 1,188 teachers, comprising 396 teachers in Changzheng College, 45 teachers in Jingyi Secondary School and 747 teachers in College of Information and Business.

We mainly focus on providing high-quality private high school and higher educational services. It is therefore crucial for us to attract qualified teachers who have a strong command of their respective subject areas and have sufficient industry experience in the relevant areas. We seek to hire teachers who have the necessary education background and are competent in presenting clear and practical classroom instructions. We believe that there are a limited number of qualified teachers with the relevant experience and subject matter expertise to teach our courses. Similarly, the pool of qualified school personnel, such as principals, vice principals and other school administrators, all of whom are crucial to the efficient and smooth running of the schools we operate, is relatively limited in China. We cannot assure you that we can recruit and retain such personnel in the future. In addition, during the recruitment process, it is difficult to properly assess applicants on some qualitative features, such as their commitment level and dedication, particularly as we continue to recruit more teachers to meet the needs of rising student enrollment. Furthermore, we must provide relatively competitive compensation and benefits packages to attract and retain qualified and competent teachers. We must also provide mandatory and on-the-job training programs for newly hired teachers as well as continuing training courses for existing teachers, so that our teachers are able to keep abreast of industry developments and understand what practical skills are currently sought after by employers, which enables them to incorporate such relevant knowledge in their lectures and training classes.

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

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

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

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

The success of our business relies on our ability to maintain the quality of education we provide and to equip our students at Changzheng College and College of Information and Business with the necessary knowledge and skills to find suitable employment and to achieve high initial employment rates for the graduates of Changzheng College and

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

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

Our high school students are subject to college level admissions and assessment tests administered by educational authorities in China. The admission scores for the various universities in China usually change from year to year. Testing materials may also change in terms of focus areas, format and the manner in which such tests are administered. These changes require us to continually update and enhance the courses and course materials we offer and to continually train our students to take standardized tests so as to maximize their performance on these tests. If we fail to adequately prepare our students for admission tests through our everyday classroom teaching and any test preparation courses we offer, our students' admission rates to PRC universities may decrease and our programs and services may become less attractive to students. Furthermore, if we fail to timely develop and introduce new educational services and programs in our Jingyi Secondary School based on the changing education standards in China, 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 not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our education and other services in the PRC in a timely manner, and may be subject to severe penalties if the operation of business in China does not comply with applicable PRC laws and regulations.

As a private education provider, we are subject to extensive laws and regulations in China, such as the Education Law (《中華人民共和國教育法》), the Higher Education Law (《中華人民共和國高等教育法》), the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), and the Implementation Rules for the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》). In order to conduct and operate our education business, we are required to obtain and maintain various approvals, licenses and permits and to fulfill registration and filing requirements pursuant to applicable laws and regulations. For instance, to establish and operate a school, we are required to obtain a private school operation permit from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit, or legal entity.

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

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

Furthermore, on March 28, 2017, we entered into an agreement on transformation with Zhongyuan University of Technology (as supplemented on June 12, 2018), pursuant to which, among other things, College of Information and Business will be transformed, subject to the regulatory approval from the relevant PRC government authorities, from an independent college to a wholly privately-owned undergraduate college, namely, Zhengzhou College of Economics & Business* (鄭州經貿學院), to be wholly-owned by our Group. In connection with such transformation, we shall pay an aggregate consideration of RMB240.0 million to Zhongyuan University of Technology by October 31, 2018, subject to the final approval of the MOE and the People's Government of Henan Province. Such consideration had been fully paid by JH Holdings Group to Zhongyuan University of Technology on October 29, 2018. We expect we will be able to obtain the approval prior to the end of the 2019/2020 school year. If the transformation is successful, our profitability will be enhanced because we will be entitled to benefit from student enrollment quota originally allocated to the North Campus. For further details of such agreement, see the section headed "History and Corporate Structure — Our PRC Consolidated Affiliated Entities — 3. College of Information and Business" in this prospectus. In connection with our application for the transformation of College of Information and Business, the Henan Department of Education approved the amendments to the articles of association of the school on July 5, 2018, subsequent to which we consolidated the financial results of College of Information and Business into the financial statements of our Group from July 5, 2018. However, there is no assurance that we will be able to successfully obtain the requisite approvals from the relevant PRC government authorities to effectuate the transformation. In the event we are not able to obtain such approval on a timely basis or at all, our growth strategy may be adversely affected. See "Business — Our Schools — Overview" in this prospectus.

Our schools are subject to compliance requirements relating to the ratio between school site area/building area and the number of students enrolled.

During the Track Record Period and up to the Latest Practicable Date, our PRC Operating Schools providing higher education are subject to certain regulatory requirements in relation to the prescribed ratio between our school's site area/building area and the number of students enrolled. See "Business — Properties — Regulatory Requirements Relating to the Ratio between School Site Area/Building Area and Number of Students" for details.

According to the MOE Notice on Basic Conditions for Operating Higher Education Institutions (Trial) (教育部關於印發《普通高等學校基本辦學條件指標（試行）》的通知) and the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標(試行)) promulgated by the MOE in 2004, except for sports and art schools, the ratio between a higher education institution's teaching and administrative building area and the number of students should be 9 to 16 sq. m. per student. Under the aforesaid regulations, except for sports and art schools, the ratio between a higher education institution's site area and its number of students should be 54 to 59 sq. m. per student. Failure to comply with the ratio between the teaching and administrative building area and the number of students may cause the student enrollment of a higher education institution to be restricted and suspended.

As of December 31, 2016, 2017 and 2018, the ratios between the teaching and administrative building area and student enrollment of our Changzheng College were approximately 8.0 sq. m./student, 8.1 sq. m./student and 8.3 sq. m./student, respectively, which were lower than the aforesaid regulatory requirements. As of the same dates, the ratios between the site area and student enrollment of our Changzheng College were approximately 30.9 sq. m./student, 31.2 sq. m./student and 32.0 sq. m./student, respectively, which were lower than the aforesaid regulatory requirements. As of December 31, 2016, 2017 and 2018, the ratios between the teaching and administrative building area and student enrollment of College of Information and Business were approximately 7.0 sq. m./student, 7.1 sq. m./student and 7.0 sq. m./student, respectively, which were lower than the aforesaid regulatory requirements. As of the same dates, the ratios between the site area and student enrollment of College of Information and Business were approximately 29.8 sq. m./student, 29.9 sq. m./student and 29.4 sq. m./student, respectively, which were lower than the aforesaid regulatory requirements.

On August 31, 2018 and September 6, 2018, we consulted with the relevant officers of the Henan Department of Education and the Zhejiang Department of Education, being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the school operating conditions for the higher education institutions which were applicable to us. Based on the consultation with the Henan Department of Education, we were advised that it was, to certain extent, common that private higher education institutions could not fully meet the regulatory requirements in terms of the teaching and administrative building area per student or the site area per student for a period of time. Based on the consultation with the Zhejiang Department of Education, the government authorities will often order the schools to improve their school operation conditions within a time limit before issuing a yellow card or a red card to restrict and/or suspend the student admission of the schools. During the Track Record Period, Changzheng College and College of Information and Business have not been ordered to take rectification measures or penalized for any failure to comply with the Basic Conditions for Operating Higher Education Institutions (Trial).

Although we obtained confirmations from the relevant government authorities, we cannot assure you that the regulations relating to the ratio between school site area/ building area and the number of students enrolled will not change in the future or that the relevant education authorities will not impose any fines or penalties on us for not reaching the regulatory requirements in the future. If the regulations changed, or the relevant education authorities had different interpretations which resulted in any fines or penalties on us, our business, financial condition, future prospects and results of operations may be adversely affected.

Our rights to certain parcels of land with defective titles are subject to legal uncertainties, which may have adverse effect on our business, financial condition and results of operations.

On September 16, 2006 and October 18, 2006, Zhongyuan University of Technology and JH Holdings Group entered into cooperation agreements on the reorganization of College of Information and Business, pursuant to which, among other things, Zhongyuan University of Technology provided its allocated land use rights with respect to a parcel of land with a gross site area of 96,480.87 sq. m. to be occupied and used by College of Information and Business as the North Campus. However, as advised by our PRC Legal Advisors, pursuant to the Interim Measures for the Administration of Allocated Land Use Right (《劃撥土地使用權管理暫行辦法》), which became effective on March 8, 1992, an entity or individual that has been granted a parcel of allocated land from the State is required to obtain prior approval from the relevant land authority, go through the land grant procedures, and pay the land premium before transferring, leasing or mortgaging that parcel of allocated land to another person or entity. Otherwise, according to the Provisional Regulations of the PRC on the Assignment and Transfer of the Right to the Use of the State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), all income gained from the allocated land shall be confiscated by the relevant land authority. As of the Latest Practicable Date, no prior government approval with respect to the use of such land by College of Information and Business education purposes had been obtained.

For the years ended December 31, 2016, 2017 and 2018, revenue generated from the North Campus amounted to RMB50.5 million, RMB51.2 million and RMB52.7 million, respectively, and the school operating cost in relation to the North Campus was RMB15.8 million, RMB16.9 million and RMB18.1 million, respectively. Accordingly, the profit generated from the North Campus that College of Information and Business had paid out to Zhongyuan University of Technology amounted to RMB34.7 million, RMB34.3 million and RMB34.6 million for the years ended December 31, 2016, 2017 and 2018, respectively, which was recorded as co-operation costs by College of Information and Business in its financial statements.

While we have conducted interviews with certain officials of the relevant PRC government authorities with respect to College of Information and Business's ability to use the land occupied by the North Campus, which confirmed, among other things, that the above-mentioned land may continue to be used for educational activities by College of Information and Business, no relocation or rectification of the North Campus will be required and the owner of the land use rights will not be fined or penalized for the unauthorized transfer of the relevant land use rights certificate, there can be no assurance that we will not be requested to vacate the North Campus in the future which will force us to find a suitable alternative location to accommodate the students of the North Campus. Such relocation could be time consuming and costly, and may adversely impact the business and operations of College of Information and Business if we are not able to timely relocate the students of the North Campus or continue to provide educational services to them in the interim. However, such relocation would not affect the net profit of our Group as we were not entitled to the profit generated from the North Campus pursuant to the cooperation agreements. See “Business — Properties — Owned Properties — Land” for further details.

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

We currently operate our schools in two provinces in the PRC, namely, Zhejiang and Henan provinces. Two of the three schools we currently operate in the PRC are located in Zhejiang province, which is of particular importance to our overall business. During the Track Record Period and up to July 5, 2018, we generated all of our revenue from our two schools in Zhejiang province and recorded income from College of Information and Business in Henan province as our share of the results of joint ventures. Subsequent to July 5, 2018, we generate all of our revenue from our schools. We expect that we will continue to generate a majority of our revenue from these schools in Zhejiang and Henan provinces for the foreseeable future. Accordingly, we are susceptible to factors adversely affecting the PRC private education industry, or any other factors adversely affecting the geographic areas in which our schools are located.

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

We had net current liabilities as of December 31, 2016, 2017 and 2018. We may be exposed to liquidation risks, and our business, financial condition and results of operations may be materially and adversely affected as a result.

During the Track Record Period, we relied on a combination of funds generated from our operations, loans from banks and advances from certain related parties and shareholders to finance our business operations and expansion during the Track Record Period. As of December 31, 2016, 2017 and 2018, we had net current liabilities of RMB12.5 million, RMB40.8 million and RMB4.9 million, respectively, mainly due to contract liabilities which were non-cash in nature.

Our net current liabilities position exposes us to liquidity risk. Our future liquidity and the repayment of our outstanding advances from the related parties or shareholders as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and sufficient external financing.

In addition, we cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may continue to have net current liabilities in the future. The inability to generate positive operating cash flow or obtain additional short-term bank loans or other borrowings on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. Furthermore, as we generally experience a certain number of students withdrawing from our schools during the course of a school year for various reasons, to whom we refund a portion of their annual tuition fees, if a large number of students were to withdraw from our schools, our financial position may be adversely impacted.

In addition, our financial statements included in this prospectus have been prepared on a going concern basis, which take into account our financial resources. If there is an adverse change to our profits, cash flow or ability to obtain additional financing, our financial statements may need to be prepared on an alternative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made.

College of Information and Business had negative net operating cash flows for the period ended July 5, 2018

For the period ended July 5, 2018, College of Information and Business recorded cash outflows from operating activities of approximately RMB34.7 million. The cash outflows of College of Information and Business for the period ended July 5, 2018 were primarily due to (i) the seasonality effect since College of Information and Business typically received most of its tuition fees and boarding fees from its students in the second half of the year; and (ii) College of Information and Business needed to continuously pay staff salaries and utility expenses in the first half of the year to support its daily operation. We cannot assure you that we will not experience negative net operating cash flows in the future, and if such situation is not managed properly, it may in turn negatively affect our business operations. Our future liquidity, the payment of trade payables and other payables and accruals, as well as the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and possibly proceeds from external financings. If we were unable to maintain adequate cash inflows, we may not be able to meet our payment obligations to support our operations. As a result, our business, financial position, results of operations and prospects may be adversely affected.

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

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

In addition, we were not required to pay any corporate income tax during the Track Record Period in respect of the revenue from formal education services during the Track Record Period, according to the confirmation letters issued by the PRC local tax bureaus, respectively. We cannot assure you that the PRC government will not promulgate relevant tax regulations that will reduce or eliminate such preferential tax treatments, or the local tax bureaus will not change their policy in the future. If the currently available preferential tax treatments discontinue or the applicable corporate income tax rate and/or value-added tax rate increase in the future, our profitability may be materially and adversely impacted.

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

The consolidation of College of Information and Business, which has been our joint venture school during the Track Record Period, into our Group after July 5, 2018 may inflate our results of operations, cause impairment charges on goodwill or other assets and at the same time, present unforeseen costs and challenges to us.

In connection with the transformation of College of Information and Business from an independent college to a wholly privately-owned undergraduate college, the articles of association of College of Information and Business was amended effective July 5, 2018 in relation to the decision-making mechanism of the board of directors. As a result of the amendment of the articles of association, we are able to consolidate the financial results of College of Information and Business into the consolidated financial statements of our Group from July 5, 2018. As of July 5, 2018, JH Holdings Group had a book value of RMB733.7 million in its long-term equity investment in College of Business and Information. On July 5, 2018, the fair value of the 65% school capital contributor's interest in College of Information and Business School held by JH Holdings Group was RMB824.0 million, according to an assessment by an independent valuer, which resulted in a one-time fair value gain of RMB90.3 million. The fair value of JH Holdings Group's

65% equity interest as of July 5, 2018 was determined considering the whole value of College of Information and Business on a going concern basis and was developed through the income approach technique known as the discounted cash flow method. Under this method, the fair value depends on the present worth of future economic benefits to be derived from the projected sales income. The fair value is determined by discounting projected future net cash flows available for payment of equity owners' interest to its present worth. Such fair value also takes into account the land, property and other forms of tangible assets. This fair value gain has been recorded as an investment gain in the consolidated statements of profit or loss and other comprehensive income of our Group for the year ended December 31, 2018. However, due to the nature of this one-time fair value gain, we may have significantly better results of operations only for the year ended December 31, 2018. We cannot assure you that we will be able to replicate such financial results going forward, or at all.

In addition, the amount of consideration paid by us to Zhongyuan University of Technology in connection with the transformation of College of Information and Business was RMB240.0 million, and the amount of goodwill recognized after July 5, 2018 was RMB111.0 million, representing the fair value of the 65% school capital contributor's interest, plus the cash consideration of RMB240.0 million, and less the fair value of the identifiable assets and liabilities of College and information and Business as of July 5, 2018. The consideration of RMB240.0 million was determined after arm's length negotiation with reference to an appraisal report issued by an independent valuer. Pursuant to such appraisal report, the valuation of RMB201.1 million in connection with the transformation was comprised of (i) an amount representing the discounted future distributable profits, which was determined using the income approach, of College of Information and Business, which Zhongyuan University of Technology would be entitled in the next 38 years; and (ii) an amount representing the school income for the 2017-2021 school years distributable to Zhongyuan University of Technology. According to the cooperation agreement, the cooperation has a term of 50 years starting from 2006. Such consideration only covers future income which Zhongyuan University of Technology is expected to receive until 2055. In addition, Zhongyuan University of Technology only contributed intangible assets and it did not contribute any cash, land or any other form of tangible assets in connection with the establishment and operation of the Main Campus, as a result of which, the consideration of RMB240.0 million did not imply any valuation of the capital contributor's interests of College of Information and Business. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform our annual impairment test of goodwill as of December 31. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our CGU, or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units. If the College of Information and Business's results of operations do not meet our expectations, we may be required to recognize an operating loss and impairment charges on goodwill or other assets in our consolidated financial statements.

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

We generally require tuition fees and boarding fees for a full school year to be paid by students to our schools prior to the commencement of each school year in Changzheng College and College of Information and Business, and prior to the commencement of each semester in Jingyi Secondary School. We recognize tuition fees proportionately each month over the nine-month period for Changzheng College and 10-month period for Jingyi Secondary School and boarding fees proportionately each month over the period of nine months for Changzheng College and 10 months for Jingyi Secondary School. For College of Information and Business, tuition fees are recognized proportionately each month over a nine-month period of the school year whereas boarding fees are recognized proportionately each month over a 12-month period for non-graduating students and over a 10-month period for graduating students. Accordingly, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in service days. However, our costs and expenses vary significantly and do not necessarily correspond with our recognition of revenue. We expect fluctuations in our revenue and results of operations to continue. These fluctuations could result in volatility and adversely affect the price of our Shares.

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

The smooth operation of our schools and the execution of our business plans largely rely on our senior management and school administrators. Therefore, the continuing services of our executive Directors, senior management team, the principals and other key personnel of our schools are crucial to our future success.

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

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

Our future success is highly dependent on the acceptance, development and expansion of the market for private for-profit education services in China. The private educational services market began to develop in the early 1980s and experienced rapid growth in the 1990s, and has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council promulgated the first regulation to promote the private education industry in China. However, private education services on a for-profit basis were not permitted in China until September 2017 when the amendments made to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective. The development of this industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools and universities. There is significant uncertainty as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of the PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies in relevant PRC law are available to non-profit private schools, such as preferential tax treatment, while for-profit private schools are supposed to enjoy preferential tax treatment as subject to the State's provisions. To date, however, other than Implementing Measures for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) and the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) and Notice of the State Administration of Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of for-profit private schools (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》), no separate policies, regulations or rules have been introduced by the national authorities for the operation of the private for-profit education industry. See the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this prospectus. If the private education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favorable regulatory environment otherwise changes in the future, we may be unable to grow our business and the market price of our Shares could be materially and adversely affected.

From time to time, our business partners and suppliers may have disputes with us or file claims of breach of contract against us, which may harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

We collaborate with a large number of enterprise partners in a variety of school-enterprise collaboration programs, academic courses and other activities at our schools. We also have supply contracts with various construction companies, textbook suppliers and utility suppliers, among others. We cannot assure you that disputes from these collaborations and contracts will not arise or our business partners and suppliers will not bring any claim against us. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our business operations. Moreover, we cannot guarantee that we will be able to defend against such claims successfully. If any such claims against us were ultimately successful, we could be required to pay significant amount of damages which could materially and adversely affect our business, financial condition and results of operations.

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

During the Track Record Period, certain of our schools outsourced the meal catering services to Independent Third Parties, which provided such services to the students and faculty for a fee. There is no assurance that we will be able to ensure the quality of food and to monitor the meal preparation process to ensure its quality or require the Independent Third-Party service provider(s) to adhere to our food quality standards. In the event poor food quality results in any serious health violations or medical emergencies involving our students and faculty staff, such as mass food poisoning, or negative publicity about food quality or canteen hygiene, our business and reputation could be harmed.

In addition, we operate certain canteens at our schools. Therefore, we must adhere to the food quality standards imposed by the relevant PRC government authorities. In 2016, the relevant PRC government authority conducted quality inspection of the canteen we operated at our Jingyi Secondary School. While no student experienced any adverse health-related issues as a result of their consumption of such dishes, we were nevertheless subject to a one-time fine of RMB70,000. We have since implemented remedial measures to improve the quality of the food at the canteen, including updating our canteen health and safety management system and setting up a dietary committee to regularly check canteen safety and food hygiene, and Jingyi Secondary School has not been subsequently fined for any food quality issues since this incident. However, we cannot assure you that similar food quality issues will not occur at the canteens we operate in the future. In the event we are fined for any similar incident, our business prospects and reputation could 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. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC.

For campuses and school facilities constructed and developed for our schools, we are required to obtain various permits, certificates and other approvals from the relevant authorities, including, but not limited to, land use right certificates, planning permits, construction permits, approvals for passing environmental impact assessments, environmental protection acceptance check, approvals for passing fire control design assessments, approvals for passing fire control acceptance check, registration for passing acceptance inspections upon construction completion, as well as building ownership certificates. If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of our new campuses or buildings, the time of new campuses being put into use and our student recruitment for the new campuses may be delayed, which may negatively affect the effectiveness of our growth strategies. In particular, we had buildings under construction with a total planned gross floor area of approximately 26,986.71 sq. m., which are located in the campus of Changzheng College and will be used for education-related purposes, including an academic exchange center, a canteen and several student dormitories. We cannot assure you that we will be able to complete the construction before our expected completion date, which may result in a significant delay in the commencement of operation of the new school facilities.

Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. See “Business – Properties” for further details. As of the Latest Practicable Date, (i) the actual gross site area of the land where the buildings of College of Information and Business were located was larger than the corresponding gross site area of the parcel of land in the relevant land use rights certificate held by the school; (ii) the relevant parcel of land where the buildings of College of Information and Business were located with gross site area of 301,483.16 sq. m. was used for industrial purpose, which was not in accordance with its approved intended use; (iii) we failed to obtain any relevant building ownership certificate for 11 buildings with a gross floor area of approximately 7,673.41 sq. m., due to the lack of construction project planning permit (建設工程規劃許可證), construction commencement permit (建設工程施工許可證) or acceptance inspection upon construction completion (建設工程竣工驗收), and having not passed the environmental protection inspection (環保驗收) and fire control assessment (消防驗收); and (iv) we failed to obtain any of the relevant building ownership certificates for seven buildings with a gross floor area of approximately 26,340.63 sq. m., due to the lack of the relevant construction commencement permit as required under applicable PRC laws and regulations. The risks in connection with the non-compliance issues concerning these properties generally include the following:

- where land is illegally occupied without approval, the land administrative department of the People's government at or above the county level shall order the illegally occupied land to be returned, and persons directly responsible for the illegal occupation of land shall be subject to administrative sanctions;

- if the relevant parcel of land is not used by the holder of the relevant land use rights certificate in accordance with its approved intended use, the land administrative department of the People's government at or above the county level may order the land to be returned to the owner and the holder of the land use rights certificate shall be subject to a fine;

- with respect to the failure to obtain the construction project planning permit, (a) in the event that remedial measures can be adopted to eliminate any impact on the government's city planning implementation, we are subject to the risk of being required to adopt such remedial measures within a given time limit and being fined 5% to 10% of the construction costs; or (b) in the event that no remedial measures can be adopted to eliminate such impact on the government's city planning implementation, we are subject to the risk of being ordered to demolish the relevant buildings within a given time limit (or if demolition is not possible, the confiscation of such buildings or the relevant illegal income) and being fined not more than 10% of the construction costs;

- with respect to failure to obtain construction commencement permit, we are subject to the risk of being required to adopt remedial measures within certain time limit and fined 1% to 2% of the contract price of the construction project;

- with respect to failure to conduct acceptance inspection upon construction completion, we are subject to the risk of being ordered to adopt remedial measures, being fined 2% to 4% of the contract price of the construction project, and being ordered to compensate for any loss incurred;

- with respect to failure to pass fire control assessment, we are subject to the risk of being prohibited from using these buildings and being fined between RMB30,000 and RMB300,000 per building; and

- with respect to failure to pass environmental protection inspection, we are subject to the risk of being prohibited from using these buildings and being fined between RMB200,000 and RMB1,000,000 per building.

As of the Latest Practicable Date, (i) regarding the 301,483.16 sq. m. parcel of land, we conducted in-person interview with an official of the Longhu Branch of the Bureau of Land and Resources of Xinzheng City, Henan province, who confirmed that College of Business and Information owns the building ownership certificates of the relevant properties on the relevant parcel of land and has the right to use such properties and the corresponding land on which they were built; (ii) regarding the 301,483.16 sq. m. parcel of land, we conducted in-person interview with an official of the Longhu Branch of the Bureau of Land and Resources of Xinzheng City, Henan province, who confirmed that it will not confiscate the relevant property nor administer a fine against the school; (iii) regarding the 11 buildings with a total gross floor area of approximately 7,673.41 sq. m. that did not obtain any relevant building ownership certificates or complete any requisite procedure, we had ceased using all of these 11 buildings as of the Latest Practicable Date; and (iv) regarding the seven buildings with a total gross floor area of 26,340.63 sq. m., for which we failed to obtain the relevant construction commencement permit, we have not put into use of these buildings occupied by College of Information and Business.

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 the building ownership certificates and other relevant certificates or permits for certain of our owned buildings. However, we cannot assure you that the relevant authorities will not interpret, implement or enforce the relevant rules and regulations differently.

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

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

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Asia-Pacific Consulting and Appraisal Limited used in the property valuation report include: (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests; and (ii) no allowance has been made in the property valuation report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

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

Our school facilities may have capacity constraints, which could affect our ability to increase student enrollment or 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 enroll in our schools due to the capacity constraints of our current school facilities. Furthermore, absent additional building facilities such as classrooms and dormitories, we may not be able to expand our capacity at our current campuses to increase our student enrollment 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 results of operations and business prospects could be materially and adversely affected.

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

We could be held liable for any accidents or injuries or other harm to students or other people at our schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent in providing inadequate maintenance to our school facilities or supervision of our employees and therefore, may be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers commits acts of bullying or violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Our schools may be perceived to be unsafe, which may discourage prospective students from applying to or attending our schools. We also could face potential liabilities claims if any of our teachers are involved in violence, plagiarism, bribery or sexual harassment against fellow teachers and/or students. In addition, we could be held liable for any death or injuries suffered by any of our students during the mandatory military training programs, which are usually held at the opening of the school terms as required by the Law of the PRC on National Defense Education (《中華人民共和國兵役法》) and are different from the military education as mentioned in "Regulatory Overview" section in this prospectus. For example, one student at our Jingyi Secondary School died during the military training due to certain preexisting heart condition and we voluntarily made a compensation of an amount of RMB700,000 to the parents of this student. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We maintain limited insurance coverage.

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

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

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

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

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

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

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

We have adopted the Share Option Scheme in May 30, 2019, under which we may issue options to purchase up to a total of 160,000,000 Shares to our Directors, senior management and employees for their contribution to our Group, and to attract and retain key personnel. While we currently do not have any detailed plan to issue any share options under the Share Option Scheme during the next 12 months, in the event we issue such share options, the fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which may have an adverse effect on our profits. Moreover, the exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we have granted or plan to grant may be adversely affect the market price of our Shares.

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

Companies operating in the PRC 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 and up to the Latest Practicable Date, we did not make contributions to the social insurance plans for some of our employees, including (i) failing to pay social insurance and housing provident fund for certain logistic and canteen staff; (ii) failing to pay social insurance and housing provident fund for employees who had been paid by other employers; and (iii) failing to pay social insurance for employees who voluntarily waived the contribution of social insurance. In addition, during the Track Record Period, we failed to pay social insurance and housing provident fund in full for certain employees of our PRC Operating Schools as the payment bases of social insurance and housing provident fund of such employees were not determined with reference to their total actual wages in accordance with the PRC laws and regulations. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not make for the years ended December 31, 2016, 2017 and 2018 was approximately RMB12.1 million, RMB10.8 million and RMB10.0 million, respectively. See the section headed "Business — Legal Proceedings and Compliance" in this prospectus for further details. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

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

According to the PRC Security Law (《中華人民共和國擔保法》) and the PRC Property Law (《中華人民共和國物權法》), mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The buildings that our schools own and occupy may be considered "public welfare facilities" according to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), which provides that private education is considered in the nature of "public welfare" in the PRC. Accordingly, these properties may not be pledged as collateral when our schools seek loans from lenders. In such case, the schools' ability to obtain financing may be limited. Even if collateral is meant to be created based on such properties under any loan agreement to be entered into between any of our schools and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC, and we cannot preclude the possibility that a government authority, including PRC court or administrative authority, may consider the pledge created on such facilities to be in violation of PRC laws if we and the lenders have any dispute with regard to the relevant loans under applicable loan agreements or if the validity of the pledges are otherwise challenged. In such a case it is likely that such pledges would not be enforceable and we may be requested by our lenders to provide other forms of guarantees or prepay the outstanding balance of the loans immediately, which may cause the business operations of the relevant schools and our financial condition to be materially and adversely affected.

The discontinuation of any preferential tax treatments currently available to us, particularly the tax exempt status of our PRC Operating Schools, could materially and adversely affect our results of operations.

Prior to the 2016 Decision becoming effective on September 1, 2017, private schools whose school sponsors did not require reasonable returns were eligible to enjoy the same preferential tax treatment as public schools according to 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》). Pursuant to the 2016 Decision, a non-profit private school may enjoy the same preferential tax treatments as a public school while a for-profit private school may enjoy preferential tax treatments in accordance with the relevant PRC laws and regulations. Based on the tax filings retrieved from Xinzheng Tax Bureau, Xihu District Tax Bureau of Hangzhou and Yueqing Tax Bureau and the confirmation letters we obtained in September 2018 from Xinzheng Tax Bureau, Xihu District Tax Bureau of Hangzhou, and Yueqing Tax Bureau, our PRC Operating Schools did not pay corporate income tax for the formal education service in the Track Record Period and the relevant tax bureaus has not found our PRC Operating Schools involved in any tax evasion, overdue tax payment or other tax non-compliance acts.

The amount of tax effect of non-taxable income for us was RMB22.0 million, RMB23.4 million and RMB59.4 million for the years ended December 31, 2016, 2017 and 2018, respectively. See note 10 of the Accountants' Report included in Appendix IA to this prospectus. However, there is no assurance that the PRC government will not promulgate relevant tax regulations that will reduce or eliminate such preferential tax treatment, or the relevant tax bureaus will not change their policy in the future, in each such case, we will be subject to corporate income tax going forward. The discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

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

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

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

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

RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

We entered into a series of arrangements in which our wholly-owned subsidiaries and WFOEs receive full economic benefits from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School. See "Structured Contracts" in this prospectus.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Catalog, foreign investors are prohibited from investing in compulsory education, i.e. primary and middle schools, in the PRC for students in grades one through nine. In addition, high school education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in high school education and higher education in cooperative ways and the domestic party shall play a dominant role in such arrangement. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign cooperative education institution should be less than 50%. According to the relevant regulations, foreign investors investing in high schools and colleges must be foreign education institutions, with relevant qualifications and experience. See "Regulatory Overview" of this prospectus for more information.

If any of the Structured Contracts that establishes the structure for operating the business of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School is found to be in violation of any PRC laws or regulations in the future or we fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulate the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of any of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School;

- discontinuing or restricting the operations of any related-party transactions among JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School and the other members of our Group;

- imposing fines or other requirements with which we or any of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School may not be able to comply;

- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the use of proceeds from any additional public offering or financing we may conduct to finance our business and operations in China.

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

The Draft Foreign Investment Law proposes sweeping changes to the PRC foreign investment legal regime, which will likely have a significant impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as our business, and our compliance with the Draft Foreign Investment Law depends on the compliance with the undertaking given by the relevant persons, which the Stock Exchange has limited power to enforce.

On January 19, 2015, MOFCOM published the draft version of the Foreign Investment Law (《中華人民共和國外國投資法(草案徵求意見稿)》), or the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory notes of the Draft Foreign Investment Law (the "Explanatory Notes"), which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of businesses in the PRC controlled by foreign invested enterprises, or FIEs, primarily through contractual arrangements. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime that consist of three laws as well as respective detailed implementing rules: the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》, the "Wholly Foreign-owned Enterprise Law"). The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduces the concept of "actual control" determined by the identity of the natural person or enterprise that directly or indirectly controls the foreign investor or enterprise. If an enterprise is actually controlled by a foreign investor through structured contracts or contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted or prohibited from investing in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. According to the Special Administrative Measures for Access of Foreign Investment promulgated by the NDRC and MOFCOM on June 28, 2018, which became effective on July 28, 2018 (the "Negative List 2018"), the education business that we operate is classified as a "restricted business". The Draft Foreign Investment Law also provides that any FIEs operating in industries on the Negative List 2018 will require entry clearance and other approvals. As a result of the entry clearance and approvals, certain FIEs operating in industries on the Negative List 2018 may not be able to continue to conduct their operations through contractual arrangements.

While the Draft Foreign Investment Law has been released for consultation purposes, there is substantial uncertainty regarding the Draft Foreign Investment Law, including, among others, what the actual content of the law will be as well as the adoption timeline or effective date of the final form of the law. While each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Ms. Zhang Xuli is of Chinese nationality and collectively indirectly interested in more than 30% of the issued share capital of our Company, we cannot assure you that our Company will be deemed as controlled by a Chinese investor and the Structured Contracts will be deemed as domestic investment under the Draft Foreign Investment Law. Furthermore, the issues as to the level of "actual control" for being qualified as a domestic enterprise, how existing domestic enterprises which are operated by foreign investors under contractual arrangements are to be handled and what business will be respectively classified as "restricted business" or "prohibited business" in the Negative List 2018, are yet to be clarified at this stage. While such uncertainty exists, we cannot determine whether the new foreign investment law, when it is adopted and takes effect, will have a material impact on our corporate structure and business.

In the event that the Structured Contracts 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, such Structured Contracts may be deemed to be invalid and illegal, and we may be required to unwind the Structured Contracts and/or dispose of the relevant schools or businesses. The occurrence of such event could have a material adverse effect on our business, financial condition, results of operations and growth prospects, as the financial results of the relevant entities would no longer be consolidated into our Group's financial results and we would have to de-recognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such de-recognition. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in delisting of our Company.

As a measure to ensure that the Structured Contracts remain a domestic investment and in compliance with the Draft Foreign Investment Law, each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Ms. Zhang Xuli, has given an undertaking in favor of our Company that, among others, he/she will continue to maintain his/her Chinese nationality for as long as he/she holds a controlling interest in our Company. See "Structured Contracts — Development in the PRC Legislation on Foreign Investment — Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Consolidated Affiliated Entities" in this prospectus. Our compliance with the Draft Foreign Investment Law depends on the above persons' adherence to the terms of such undertaking. In the event that any of the above persons breaches the undertaking, the Stock Exchange has limited enforcement power against him and the Structured Contracts may be deemed invalid and illegal and we may be required to unwind the Structured Contracts and/or dispose of our PRC Operating Schools, which could have a material adverse effect on our business, financial condition and results of operations. In addition, there may be uncertainties that the measures to be adopted by us to maintain control over and receive economic benefits from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us, which may have a material adverse effect on the trading of our Shares. For details of the Draft Foreign Investment Law and the Negative List 2018 and its potential impact on our Company, and our potential measures to maintain control over and receive economic benefits from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, see "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus.

The Structured Contracts may not be as effective in providing control over JH Holdings Group and its subsidiaries and/or Jingyi Secondary School as direct ownership.

We have relied and expect to continue to rely on the Structured Contracts to operate the majority of our education business in the PRC. For a description of these Structured Contracts, see "Structured Contracts" in this prospectus. These Structured Contracts may not be as effective in providing us with control over JH Holdings Group and its subsidiaries and/or Jingyi Secondary School compared to equity ownership. If we had direct ownership of the school sponsor's interest and/or equity interest of our PRC Consolidated Affiliated Entities, we would be able to exercise our rights as a direct or indirect holder of the equity interest and/or school sponsor's interest of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to effect changes in the board of directors of such entities, which in turn could result in changes at the management level. However, as these Structured Contracts stand now, if JH Holdings Group and its subsidiaries and/or Jingyi Secondary School fail to perform their respective obligations under these Structured Contracts, we cannot exercise the shareholders' rights or school sponsors' rights to direct such corporate action as direct ownership would otherwise entail.

In addition, while (i) each of the Shareholders of JH Holdings Group unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in JH Holdings Group together with all related rights thereto to the WFOE 1 and (ii) each of the School Sponsors of Jingyi Secondary School unconditionally and irrevocably pledged and granted first priority security interests over all of the proceeds receivable from third parties due to transfer or other forms of disposal of all or part of his sponsor interest in Jingyi Secondary School to the WFOE 2, as collateral security for performance of the Structured Contracts and all such loss and expenses incurred to the WFOEs as a result of any events of default on the part of the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School or each of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, there is no pledge arrangement between the WFOEs and the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School in respect of the school sponsor's interest of our PRC Operating Schools. As advised by our PRC Legal Advisors, any equity pledge arrangement in relation to the school sponsor's interest in each of our PRC Operating Schools in favor of us would be unenforceable under PRC laws and regulations. See the section headed "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Equity Pledge Agreement" and "— (5) Accounts Receivable Pledge Agreement" in this prospectus.

If the parties under the Structured Contracts refuse to carry out our directions in relation to daily business operations, we will be unable to maintain effective control over the operations of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School. If we were to lose effective control over JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, certain negative consequences would result, including our being unable to consolidate the financial results of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School with our financial results. Given that the revenue from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School constituted all of the total revenue in our consolidated financial statements for the years ended December 31, 2016, 2017 and 2018, our financial position would be materially and adversely impacted if we were to lose effective control over JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School. In addition, losing effective control over JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School may negatively impact our operational efficiency and brand image, and may impair our access to their cash flow from operations, which may reduce our liquidity.

The owners of JH Holdings Group and/or Jingyi Secondary School may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Our control over our PRC Operating Schools is based upon the Structured Contracts among JH Holdings Group and its subsidiaries, Jingyi Secondary School, the Shareholders of JH Holdings Group, the School Sponsors of Jingyi Secondary School, the directors of Jingyi Secondary School and the WFOEs. The Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School are holders of our school sponsor's interest of our PRC Operating Schools and the Shareholders of JH Holdings Group are also shareholders of our Company. The Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand, and JH Holdings Group and its subsidiaries, our PRC Operating Schools on the other hand, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including if the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School breached their contracts or undertakings with us and as a result or otherwise we are subject to claims from third parties, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to meet the Qualification Requirement.

Pursuant to the Foreign Investment Catalog, the Implementing Rules for the Sino-foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》) and the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the

Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign investor in a Sino-foreign joint venture private school offering high school and higher education institution must be a foreign educational institution with relevant qualification and provides high quality education (the "Qualification Requirement"), holds less than 50% of the capital investment in the Sino-foreign joint venture private school ("Foreign Ownership Restriction") and the domestic party shall play a dominant role ("Foreign Control Restriction"). According to our consultations with the Zhejiang Department of Education and the Henan Department of Education, there are no implementing measures or specific guidance on the Qualification Requirement and as a matter of policy, it is difficult and rare to approve sino-foreign joint venture private schools (including approving our PRC Operating Schools to be converted into Sino-foreign joint venture schools) at this stage. As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating schools outside of the PRC, we have taken concrete steps to comply with the Qualification Requirement. See "Structured Contracts — Background of the Structured Contracts — Plan to Comply with the Qualification Requirement" for further details on our plans to comply with the Qualification Requirement. We cannot assure you that we will meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement.

If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be unable to unwind the Structured Contracts by acquiring the school sponsor's interests in our PRC Operating Schools before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Structured Contracts by acquiring the school sponsor's interests in our PRC Operating Schools before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible to operate schools and would be forced to cease operation of our PRC Operating Schools, which could have a material adverse effect on our business, financial condition and results of operations.

Our exercise of the option to acquire the equity interest and/or the school sponsor's interest in our PRC Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the option under the Structured Contracts.

We may incur substantial cost on our part to exercise the option to acquire the equity interest and/or the school sponsor's interest in our PRC Consolidated Affiliated Entities. Pursuant to the Exclusive Call Option Agreements, each of the WFOEs or their respective designated purchasers has the exclusive right to purchase all or part of the equity interest and/or the school sponsor's interest in our PRC Consolidated Affiliated Entities at the lowest price permitted under the PRC laws and regulations. In the event that any of the WFOEs or their respective designated purchasers acquires the equity interest and/or the school sponsor's interest in our PRC Consolidated Affiliated Entities and the relevant PRC authorities determine that the purchase price for acquiring the equity interest and/or the school sponsor's interest in our PRC Consolidated Affiliated Entities is below market value, the WFOEs or their respective designated purchasers may be required to pay corporate income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

Under the applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreements we have with JH Holdings Group and its subsidiaries and/or College of Information and Business and/or Jingyi Secondary School do not represent a fair price subject to arm's length negotiations and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, the PRC tax authorities may have reason to believe that our subsidiaries or JH Holdings Group and its subsidiaries and/or College of Information and Business and/or Jingyi Secondary School are avoiding/evading their tax obligations, and we may not be able to rectify such incidents within the limited timeline required by PRC tax authorities or at all. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, following the implementation of a "variable interest entity" structure with the execution of the Structured Contracts on November 7, 2018, we were subject to additional amounts of PRC income tax and value-added tax. If the contractual arrangements had been in effect during the Track Record Period, at least 25% of our schools' net profit would be required to be retained for their working capital as development fund and statutory surplus reserve, and the profit attributable to the WFOEs would only be approximately 75%. We estimate that, based on the prevailing laws and regulations up to date, our net profit would have decreased by approximately 19.9%, 17.5% and 14.2% for the years ended December 31, 2016, 2017 and 2018, respectively, in the worst case scenario. See the section headed "Structured Contracts – Background of the Structured Contracts" in this prospectus.

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

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity interests and/or assets of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, injunctive relief and/or winding up of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School. In addition, the Structured Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors that the above-mentioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in JH Holdings Group and its subsidiaries and/or school sponsor's interest in Jingyi Secondary School in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Structured

Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in JH Holdings Group and its subsidiaries and/or school sponsor's interest in Jingyi Secondary School in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Our PRC Legal Advisors are also of the view that, even though the Structured Contracts provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that JH Holdings Group and its subsidiaries and/or Jingyi Secondary School or any of the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School and conduct our education business could be materially and adversely affected. See "Structured Contracts – Dispute Resolution" in this prospectus for details regarding the enforceability of the dispute resolution provisions in the Structured Contracts as opined by our PRC Legal Advisors.

We rely on dividends and other payments from the WFOEs to pay dividends and other cash distributions to our Shareholders.

We are a holding company and rely principally on dividends paid by our subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our Shareholders, servicing any debt we may incur and paying our operating expenses. The income of the WFOEs in turn depends on the service fees paid by JH Holdings Group and its subsidiaries and/or College of Information and Business and/or Jingyi Secondary School. Current PRC laws and regulations permit our subsidiaries in China to pay dividends to us only out of its retained earnings, if any, determined in accordance with Chinese accounting standards and regulations and the WFOEs shall make up its losses of previous years when conducting outward remittance. Under the applicable requirements of PRC laws and regulations, the WFOEs are required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

Our ability to distribute dividends to our Shareholders may be limited under the PRC laws and regulations.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders mainly depends on our ability to receive dividends and other distributions from the WFOEs. The amount of dividends and other distributions paid to us by the WFOEs depends on the service fees received by the WFOEs from JH Holdings Group and its subsidiaries and/or College of Information and Business and/or Jingyi Secondary School.

Our PRC Legal Advisors advise us that the WFOEs' respective rights to receive the service fees from JH Holdings Group and its subsidiaries, and/or College of Information and Business and/or Jingyi Secondary School does not contravene any PRC laws and regulations. Our PRC Legal Advisors also advise us that the 2016 Decision will not affect the legality and effectiveness of the Structured Contracts.

However, if relevant PRC government authorities take a different view to our PRC Legal Advisors, or the local government authorities change their policy in the future, or SAT and/or other PRC government authorities promulgate any new policies, they may seek to confiscate any or all of the service fees that have been paid by JH Holdings Group and its subsidiaries and/or College of Information and Business and/or Jingyi Secondary School to the WFOEs, even retrospectively, to the extent that such service fees are considered as operating profit from school operation in violation of PRC laws and regulations. As a result, our ability to pay dividends and other cash distributions to our Shareholders may be substantially limited.

Substantial uncertainties exist regarding the interpretation and application of the 2016 Decision, including treatments of schools in the PRC as non-profit schools or for-profit schools.

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), which was subsequently amended by the 2016 Decision promulgated on November 7, 2016. The 2016 Decision classifies private schools into non-profit schools and for-profit schools by whether they are established and operated for profit-making purposes. The school sponsors of private schools may at their own discretion choose to establish non-profit or for-profit private schools, with the exception of schools providing compulsory education, which can only be established as non-profit schools.

The 2016 Decision became effective on September 1, 2017. For further implementation of the 2016 Decision, the People's Government of Henan Province promulgated the Implementing Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》) on February 2, 2018. According to the Henan Implementing Opinion, higher private education institutions shall finish the classification registration before the end of 2022. In addition, the People's Government of Zhejiang Province promulgated the Implementing Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《浙江省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) on December 26, 2017. According to the Zhejiang Implementing Opinions, private schools (established before November 7, 2016) shall finish the classification registration before the end of 2022. There are uncertainties involved in interpreting and implementing the 2016 Decision, the Henan Implementing Opinions and Zhejiang Implementing Opinions, such as (i) specific procedures to be completed for a school to become a for-profit school or non-profit school; and (ii) the respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school. Consequently, we are unable to accurately evaluate the potential impact on our operations at this stage, such as tax liabilities our schools may be exposed to if we choose for our schools to be for-profit private schools and the land and buildings ownerships our schools may be required to obtain as a result of the latest regulatory requirements. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and the relevant regulations by government authorities. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, as well as our business, financial condition and results of operations.

If any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

We currently conduct our operations in China through Structured Contracts with JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School. As part of these arrangements, substantially all of our education-related assets that are important to the operation of our business are held by JH Holdings Group and its subsidiaries and/or Jingyi Secondary School. If any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School is wound up, and all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than the Shareholders of JH Holdings Group and/or the School Sponsors of Jingyi Secondary School and/or JH Holdings Group in accordance with the applicable PRC laws and regulations and articles of association of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School undergoes a voluntary or involuntary liquidation proceeding, JH Holdings Group and its subsidiaries and/or Jingyi Secondary School may be required to distribute their assets to other persons of higher priority than the Shareholders of JH Holdings Group and/or the School Sponsors of Jingyi Secondary School and/or JH Holdings Group, or its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. While the Shareholders of JH Holdings Group and/or the School Sponsors of Jingyi Secondary School and/or JH Holdings Group undertake pursuant to the Structured Contracts that in the event of the dissolution or liquidation of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, the WFOEs shall have the right to exercise all of the shareholders rights on behalf of the Shareholders of JH Holdings Group, and all of the school sponsor's rights of the School Sponsors of Jingyi Secondary School, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. 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.

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

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus as an offshore holding company of our PRC subsidiaries, we may (i) make loans to JH Holdings Group and its subsidiaries and/or Jingyi Secondary School; (ii) make additional capital contributions to our PRC subsidiaries; (iii) establish new subsidiaries and make additional new capital contributions to these new PRC subsidiaries; and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to the WFOEs cannot exceed statutory limits and must be registered with SAFE or its local counterparts; or

- loans by us to JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, over a certain threshold, must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts; and

- capital contribution to our subsidiaries must be approved by and registered with the relevant government authorities.

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

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

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

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

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

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

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

China's economy has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 1.9% in December 2018. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition.

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

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

As our Shareholder, you hold an indirect interest in our operations in the PRC. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of the PRC companies and are intended to regulate the internal affairs of these companies. PRC company laws and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

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

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested.

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

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

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

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

Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified EIT at the rate of 25% on its worldwide income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Since all of our management is currently located in the PRC, we may be recognized as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we may be subject to corporate income tax at the rate of 25% on our worldwide income. In such event, our corporate income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

In addition, pursuant to the EIT, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For our Group, the applicable withholding tax rate is 10%. Therefore, foreign investors may be subject to a PRC withholding tax upon dividends distributed by us or upon gains from the sale of our Shares.

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

Under the EIT Law and its implementation rules, we may be deemed as a PRC resident enterprise by the PRC tax authorities for tax purposes. As a result, dividends payable by us and gains obtained from the sales of our Shares may be subject to PRC withholding tax since such income may be regarded as the PRC-sourced income. Under such circumstances, aforementioned dividends and gains obtained by our foreign corporate Shareholders, who are not deemed as PRC resident enterprises, may be subject to a 10% withholding corporate income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential tax rate under relevant tax treaties. If the PRC tax authorities deem us to be a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties need to apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers

《國家稅務總局關於發布<非居民納稅人享受稅收協定待遇管理辦法>的公告》 (the "Circular 60"), which was issued on August 27, 2015. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties 《關於如何理解和認定稅收協議中"受益所有人"的通知》 will also apply. If determined to be ineligible for the abovementioned tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of such foreign Shareholders' investment in our Shares sold in the Global Offering may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- changes in laws and regulations in the PRC;

- our inability to compete effectively in the market; and

- political, economic, financial and social developments in China and worldwide.

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

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

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$0.63 per Share (assuming an Offer Price of HK$1.71 per Offer Share, being the mid-point of our Offer Price range of HK$1.50 to HK$1.92 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

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

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 1,600,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. See "Underwriting — Underwriting Arrangements and Expenses" for more information. However, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 25% of our total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

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

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 75% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, Changzheng College, a subsidiary of our Group, declared and distributed dividends to JH Holdings Group and a non-controlling shareholder. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Cayman Islands laws, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see the section headed "Financial Information – Dividends" in this prospectus.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including the expansion of our school network, and the establishment of the new campuses of Changzheng College and College of Information and Business. See the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT PRESENCE

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

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Chen Lingfeng (陳淩峰), our executive Director, and Ms. Mak Po Man Cherie (麥寶文), our company secretary, respectively. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. Mr. Chen Lingfeng (陳淩峰) confirmed that he possesses valid travel documents to Hong Kong and Ms. Mak Po Man Cherie (麥寶文) is ordinarily resident in Hong Kong, and they will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his/her office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he travels; and (c) each Director will provide his/her mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Southwest Securities (HK) Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the

Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that he/she has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

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

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, any of their respective directors, officers, agents, employees, advisers or representatives or any other parties involved in the Global Offering.

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

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute or create any implication that there has been no change or development in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, June 18, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, June 18, 2019.

The Shares will be traded in board lots of 2,000 Shares each.

The stock code of our Shares will be 1935.

PROFESSIONAL TAX ADVICE RECOMMENDED

Professional investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of their operations, domicile, residence, citizenship or incorporation. None of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, us, any of our or their respective directors, officers, agents, employees, advisers or representatives, or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, our Shares (or exercise of any rights attaching to them).

REGISTER OF MEMBERS AND STAMP DUTY

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

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

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

CURRENCY TRANSLATIONS

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

HK$1.0	=	RMB0.8782
US$1.0	=	RMB6.8924

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

LANGUAGE

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

ROUNDING

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chen Yuguo (陳餘國)	Building No. 15, Meihua Shanghai Huayuan No. 8888, Xuyang Road Yueqing, Zhejiang PRC	Chinese
Mr. Chen Yuchun (陳餘春)	No. 1, Lane 371 Danxia Road Yueqing, Wenzhou Zhejiang PRC	Chinese
Mr. Chen Shu (陳澍)	Building No. 15, Meihua Shanghai Huayuan No. 8888, Xuyang Road Yueqing, Zhejiang PRC	Chinese
Mr. Chen Nansun (陳南蓀)	Building No. 12, Hehua Shanghai Huayuan No. 8888, Xuyang Road Yueqing, Zhejiang PRC	Chinese
Mr. Chen Lingfeng (陳淩峰)	Building No. 15, Meihua Shanghai Huayuan No. 8888, Xuyang Road Yueqing, Zhejiang PRC	Chinese
Non-executive Director		
Ms. Zhang Xuli (張旭麗)	23E, Xuyang Building Yueqing, Wenzhou Zhejiang PRC	Chinese
Independent non-executive Directors		
Mr. Chen Danhua (陳丹華)	Apartment 2355, 23/F Tower 8 Parkview Rise – HK Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese

Name	Address	Nationality
Mr. Fung Nam Shan (馮南山)	Flat G, 23/F BLK 4 Vista Paradiso 2 Hang Ming Street Ma On Shan, New Territories Hong Kong	Chinese
Mr. Wang Yuqing (王裕清)	No. 151, Building 11 No. 31, Jiefang Middle Road Jiefang District Jiaozuo, Henan PRC	Chinese

See also "Directors and Senior Management" for more information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	WE Securities Limited Unit 1604 16/F, Infinitus Plaza 199 Des Voeux Road Central Sheung Wan Hong Kong
	Yuanyin Securities Limited Room 2201 22/F, 238 Des Voeux Road Central Hong Kong

Co-Lead Manager	**Sinomax Securities Limited** Room 2705-6 27/F, Tower One, Lippo Centre 89 Queensway Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Luk & Partners** **In Association with** **Morgan, Lewis & Bockius** Suites 1902-09, 19/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F Tower 3, China Central Place 77 Jianguo Road 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
Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Norton Rose Fulbright Hong Kong** 38/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 10/F, Tower 1 Jing An Kerry Centre 1515 West Nanjing Road Shanghai PRC

Reporting accountants	**Ernst & Young** Certified Public Accountants 22/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	**Asia-Pacific Consulting and Appraisal Limited** Room 1907, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance adviser	**Southwest Securities (HK) Capital Limited** 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in PRC	No. 618 Liuweng Road Liushi Town Yueqing Zhejiang PRC
Principal place of business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's website	www.jheduchina.com (*information contained in this website does not form part of this prospectus*)
Company secretary	Ms. Mak Po Man Cherie (麥寶文) *(An associate of The Hong Kong Institute of Chartered Secretaries)* 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Chen Lingfeng (陳淩峰) Building No. 15, Meihua Shanghai Huayuan No. 8888, Xuyang Road Yueqing, Zhejiang PRC
	Ms. Mak Po Man Cherie (麥寶文) 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit committee	Mr. Fung Nam Shan (馮南山) *(Chairman)* Mr. Chen Danhua (陳丹華) Mr. Wang Yuqing (王裕清)
Remuneration committee	Mr. Wang Yuqing (王裕清) *(Chairman)* Mr. Chen Danhua (陳丹華) Mr. Fung Nam Shan (馮南山)
Nomination committee	Mr. Chen Danhua (陳丹華) *(Chairman)* Mr. Fung Nam Shan (馮南山) Mr. Wang Yuqing (王裕清)

Principal banks	Hangzhou United Rural Commercial Bank Co., Ltd Liuxia Branch 1st and 2nd Floor, Junyihui Building Cross of Xixi Road and Liunan Road Xihu District Hangzhou, Zhejiang PRC
	Zhongyuan Bank Co., Ltd, Zhengzhou Huanghe Road Branch Cross of Huanghe Road and Yaozhai Road Jinshui District Zhengzhou, Henan PRC
Cayman Islands share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

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

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of PRC education market, PRC higher education market, PRC private higher education market, Zhejiang's and Henan's private higher education market, and Zhejiang province private high school education market.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary research, which involved discussing the status of the industry with leading industry participants and industry experts, and secondary research, which involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database. The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers like great attention on children's education of Chinese households, supports from central and local government, improved investment on private education of the entire society and increase of income and wealth are likely to drive China's private higher education market. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

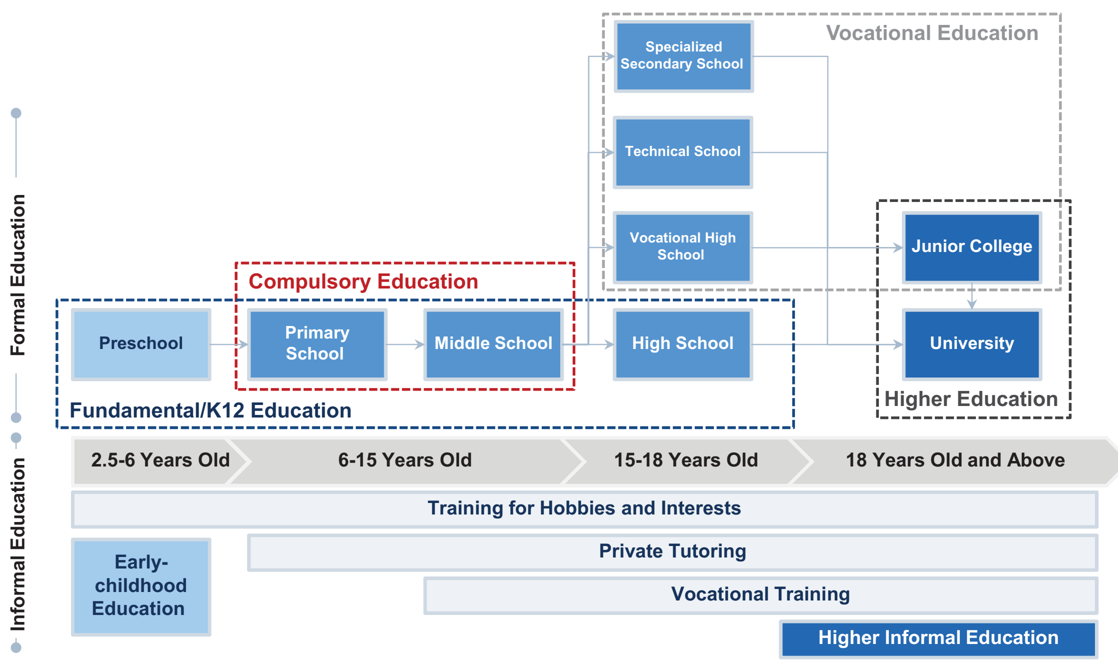
Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB750,000 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.

Based on and subject to the aforesaid, our Directors believe that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of the information in this section are appropriate sources and we have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading. As of the Latest Practicable Date, the market information relating to the PRC education market, PRC higher education market, PRC private higher education market, Zhejiang's and Henan's private higher education market, and Zhejiang province private high school education market for the year ended December 31, 2018 was not available. Accordingly, the Frost & Sullivan Report has not contained the relevant market information for the year ended December 31, 2018. After making reasonable inquiries 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 adverse impact on the information contained in this section.

OVERVIEW OF PRIVATE HIGHER EDUCATION MARKET IN THE PRC

The following diagram illustrates the education system and its classification in the PRC.

Illustration of Education System (China)



Source: Ministry of Education of the PRC, Frost & Sullivan

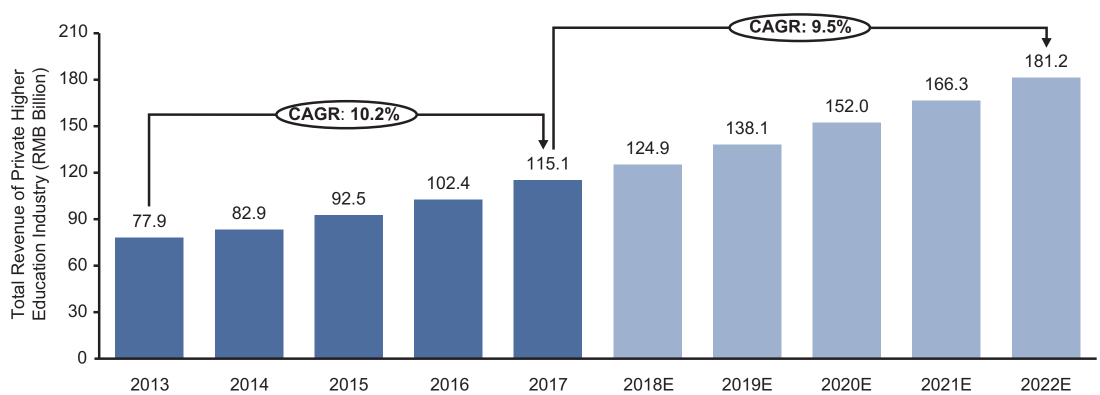
The private higher education industry in China has experienced rapid growth from the beginning of 1990s as it entered the phase of regulated development when the relevant government authorities made great effort in completing the regulative framework for private higher education, according to the Frost & Sullivan Report. China's fundamental education involves preschool, nine-year compulsory education from primary school to middle school, and high school education. High school education lies between the compulsory education and higher education, and mainly provides basic education, including both basic skills and critical thinking skills, so as to prepare for the college entrance examination in the future. Private higher education institutions in China can be divided into three categories, namely, private regular universities/colleges (民辦普通本科院校), independent colleges (獨立學院) and private junior colleges (民辦普通高職（專科）院

校). Independent colleges offer undergraduate courses through cooperation with public universities. Private regular universities/colleges and independent colleges provide both undergraduate degree(1) and diploma(2), and junior college diploma(2), while junior colleges only provide junior college diploma. Private higher education institutions are distinct from public institutions of higher education mainly in that public institutions of higher education are under the direct administration of the PRC national or local governments and their major source of funding is PRC public expenditure on education. Private higher education institutions are operated by non-governmental institutions or individuals, the major source of capital of which derive from the tuition fees rather than national fiscal expenditure of education.

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

According to the Frost & Sullivan Report, total revenue of private higher education industry increased from RMB77.9 billion in 2013 to RMB115.1 billion in 2017, representing a CAGR of 10.2%. As of 2017, total revenue of private higher education industry accounted for 10.4% of total revenue of higher education industry. From 2017 to 2022, total revenue of private higher education industry is expected to increase from RMB115.1 billion to RMB181.2 billion, representing a CAGR of 9.5%. The following diagram illustrates the total revenue generated by the PRC private higher education industry from 2013 to 2017, and the forecast of revenue from 2018 to 2022.

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



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the revenue of private higher education industry in Zhejiang and Henan provinces in the PRC is mainly derived from tuition fees and miscellaneous fees, as well as government appropriation, among which (i) the increase in the tuition fees and miscellaneous fees is supported by the per capita annual expenditure on education of the residents in the PRC, Zhejiang province and Henan province, which is expected to grow at CAGRs of 8.6%, 11.2% and 11.8%, respectively,

Notes:

(1) A degree refers to the title or rank given by a university/college when a student has completed a course of study there, which is awarded only to students who have successfully completed undergraduate, master or doctoral programs.

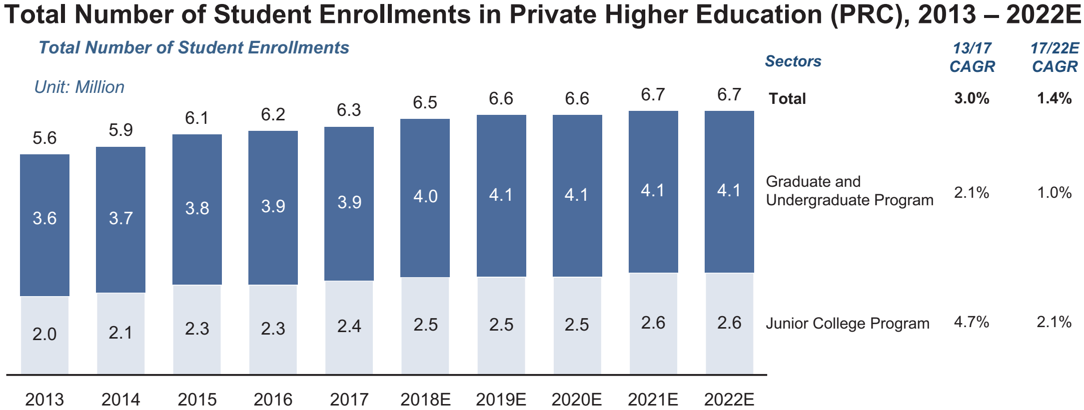
(2) A diploma refers to a document showing that a student has completed a course of study in a university/college, junior college, high school, middle school, primary school or other education institutions.

from 2017 to 2022; (ii) government appropriation is also expected to see a considerable growth rate from 2017 to 2022. In recent years, the proportion of appropriation revenue in the total revenue of private higher education industry continued to rise. In the future, appropriation revenue will continue to increase with the implementation measures to support the development of private education. For example, Implementation Measures for Support the Development of Private Education with Public Financial (《浙江省公共財政扶持民辦教育發展實施辦法》) proposed to support the development of private education through transfer payments.

Student Enrollment in the Private Higher Education Industry in the PRC

According to the Frost & Sullivan Report, from 2013 to 2017, the number of student enrollments in private higher education increased from 5.6 million to 6.3 million, representing a CAGR of approximately 3.0%. From 2017 to 2022, the number of student enrollments in higher education is expected to experience accelerated growth and increase to 6.7 million, representing a CAGR of approximately 1.4%. The following diagram illustrates the student enrollment in the PRC private higher education industry from 2013 to 2017, and the forecast of revenue from 2018 to 2022.

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

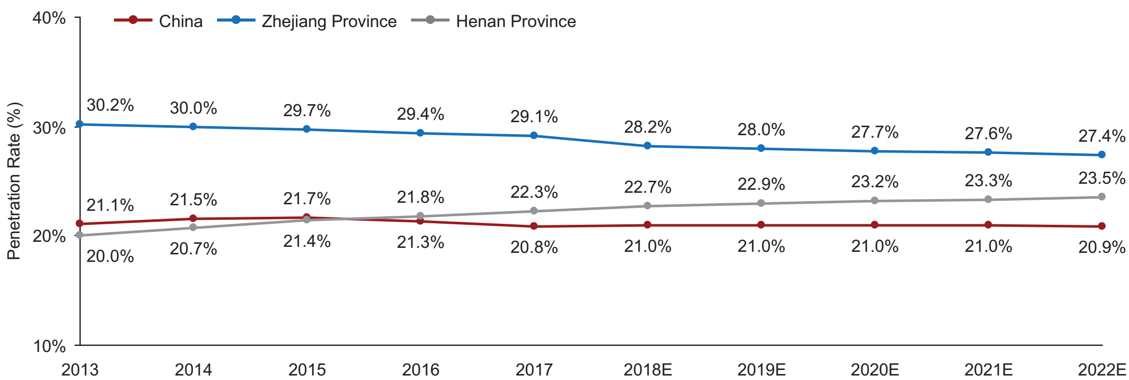


Source: Frost & Sullivan

According to the Frost & Sullivan Report, from 2013 to 2017, the enrollment rate of students aged 18 to 21 in higher education grew from 34.5% to 45.7%. For the forecast period, with increasing income and wealth and people's continually strengthened attention on education, enrollment rate of higher education is expected to continue to rise at very fast pace and reach 55.6% in 2022. According to the Frost & Sullivan Report, China's higher education enrollment rate significantly lags behind major developed countries. Based on the continued economic development and increasing personal disposable income and wealth, the demand for higher education is expected to continue to increase.

The Penetration Rate of Private Higher Education in China, Zhejiang and Henan provinces

The following chart illustrates the penetration rate of private higher education in China, Zhejiang and Henan provinces.



Source: Ministry of Education of the PRC, Frost & Sullivan

According to the Frost & Sullivan Report, while the penetration rate of private higher education in China has increased from 21.1% in 2013 to 21.7% in 2015, it has since then declined two years in a row to 20.8% in 2017. In the future, the penetration rate of private higher education is likely to increase to the 2015 level in 2018 and remain steady thereafter at approximately 20.9% until 2022, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, given the penetration rate of private higher education is expected to remain stable in Zhejiang and Henan provinces in the PRC from 2017 to 2022, the decrease in the growth of the number of student enrollments in China, Zhejiang and Henan provinces is mainly due to the lower growth of overall higher education's student enrollment, which is due to the slow growth of student enrollment rate of overall higher education in Zhejiang and Henan provinces in the PRC from 2017 to 2022 compared to the period from 2013 to 2017. The slower growth of student enrollment in China, Zhejiang and Henan from 2017 to 2022 was mainly due to (i) the relatively steady trend of the penetration rate of private higher education in China from 21.1% in 2013 to 20.8% in 2017, which is expected to remain relatively stable at 20.9% in 2022; and (ii) a decline in the school-age population aged 18 to 21 of higher education with a negative growth rate of 5.9% from 2013 to 2017 and an estimated negative growth rate of 2.6% from 2017 to 2022 mainly due to a low birth rate.

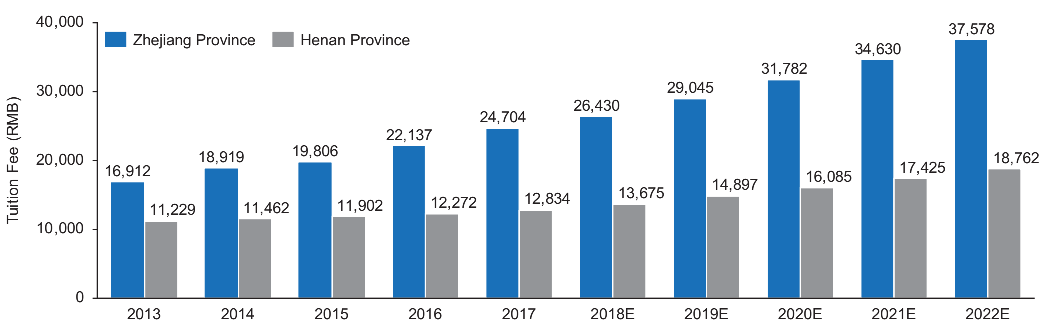
Teaching Costs for the Private Higher Education Industry in China

According to the Frost & Sullivan Report, the main costs for the PRC private higher education industry primarily consist of the teaching costs which are determined by multiple factors, such as the 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 higher education industry increased from approximately RMB70,898 in 2013 to approximately RMB113,693 in 2017, according to the Frost & Sullivan Report. The average annual salary of teachers varies in different regions in China, depending on the development status of the regional economy as well as the local living standards and purchasing power.

Tuition Fees of the PRC Private Higher Education Industry

According to the Frost & Sullivan Report, private higher education institutions are mainly supported by tuition and miscellaneous fees and other source of revenue like funding provided by investors, revenues generated from donations and fundraising by schools. Tuition and miscellaneous fees as the majority of revenue source are expected to contribute approximately 73.0% of the total revenue of the PRC private higher education industry in 2017. Average annual tuition and miscellaneous fee of public higher education institutions was approximately RMB6,996 in 2017, while average annual tuition and miscellaneous fee of private higher education institutions was approximately RMB12,679 in 2017. China's average tuition and miscellaneous fee of higher education per student per school year increased from RMB7,445 in 2013 to RMB7,902 in 2017. As China's economy continues to develop and per capita GDP continues to increase, China's average tuition fees for higher education is expected to grow. In addition, according to the Frost & Sullivan Report, China's average tuition fees of higher education as a percentage of per capita GDP is 12.9% in 2017.

The following chart illustrates the trend of annual tuition fees of private higher education in Zhejiang and Henan from 2013 to 2022.



Note: The revenue of tuition fee of private higher education by province is not disclosed; the tuition fee of private higher education in Zhejiang and Henan refers to the revenue of private higher education per student.

Source: Department of Education of Zhejiang Province, Department of Education of Henan Province, Frost & Sullivan

The tuition fee standards of private higher education in Zhejiang and Henan provinces have increased from RMB16,912 and RMB11,229 in 2013 to RMB24,704 and RMB12,834 in 2017, respectively, representing CAGRs of 9.9% and 3.4%, respectively. From 2017 to 2022, the tuition fee standards of private higher education in Zhejiang and Henan provinces are expected to grow at CAGRs of 8.8% and 7.9%, reaching RMB37,578 and RMB18,762 in 2022, respectively, as a result of the policies of liberalization of tuition fees for for-profit private education in Zhejiang and Henan provinces. For example, in March 2018, Zhejiang Department of Education and Zhejiang Price Bureau issued the Measures for Implementing the Autonomy of Private Schools (《落實民辦學校辦學自主權實施辦法》), which proposed that tuition and accommodation fees of for-profit private schools should be independently priced. In February 2018, the Opinions of People's Government of Henan Province on the Implementation of Encouraging Social Forces to Set Up Education to Further Promote the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》) proposed that for-profit private schools charge market-adjusted prices and the charging standards should be determined by private schools independently.

The tuition fee of private secondary schools in Zhejiang has increased from RMB18,756 in 2013 to RMB22,570 in 2017, representing a CAGR of 4.7%. From 2017 to 2022, the tuition fee of private high school education in Zhejiang is expected to grow at a CAGR of 1.9%, reaching RMB24,762 in 2022, as a result of the policies of liberalization of tuition fees for private education in Zhejiang.

According to the "Measures for Implementing the Autonomy of Private Schools" (《落實民辦學校辦學自主權實施辦法》) issued by the Department of Education of Zhejiang Province and Zhejiang Pricing Bureau in March 2018, the tuition fee and boarding fee of for-profit private high school shall be independently determined by the school, while the fees of non-profit private high school shall adopt market adjustment prices by the local governments. Therefore, the tuition fee of private high schools will gradually become market-oriented. For non-profit private high schools, it is expected that with the rising teaching costs, such as the increase in teachers' salaries and the upgrading of teaching equipment and facilities, the tuition fee is expected to increase continuously.

Market Drivers of Private Higher Education in the PRC

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

- ***Increasing wealth and demand for higher education:*** With the increasing income and improved physical living conditions in China, the general public is more aware of the importance of education. Private education has gained ground for development based on the gap between the rapidly increasing demand for higher education and the relatively limited public higher educational resources. Compared with major developed countries in Europe and North America, China's higher education enrollment rate is relatively lower. Because the development of public educational resources is likely to uphold a relatively stable pace, private education is expected to fill in the gap and observe strong development;

- ***Growing market* demand *for technical talents:*** As a result of continued economic development, the market is demanding more technical talents in all areas. Especially with public higher education expanding their enrollment base, a significant lack of skilled and well-trained first-line operative workforce has been identified, which will support the growing demand for private higher education focusing more on professional education;

- ***Increasing diversification and strengthened education quality:*** Due to PRC government's policy support and private education enterprises' increasing capabilities in resource integration, the quality of private higher education is expected to continue to improve. The emergence and steady development of a batch of leading private universities with comparable resources and education quality has signified the latest upgrade of China's private higher education market. Meanwhile, private education institutions that focus on professional education are expanding their course profiles and increasing the level of specialization for each specific field. Such developments are expected to attract more people to consider private higher education and drive the growth of the market on a long-term basis; and

- ***Government support:*** The PRC government has released a number of policies, such as Notification of Enhancing the Management and Conducting the Development of Non-governmental Colleges and Universities by General Office of the State Council of PRC (《國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知》) and the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) to promote the development of private higher education. These policies and regulations support the growth of the market. The Notification of Enhancing the Management and Conducting the Development of Non-governmental Colleges and Universities by General Office of the State Council of PRC (《國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知》was issued to ensure the implementation of the Law for Promoting Private Education of the PRC and proposes to implement preferential tax policies for private higher education institutions. The Law for Promoting Private Education of the PRC was issued to promote the development of private education and protect the legitimate rights of private schools and their students. It specifies the rights, the responsibility and the obligations of private education institutions.

Development Trends of the Private Higher Education Industry in China

- ***Increasing number of private universities:*** The transformation from independent colleges to private universities is likely to be a key development trend as it is supported by private education operators' increasing capability to integrate quality academic and capital resources, as well as their continuously improving education quality and recognition;

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

- ***Better match of talent cultivation and market demand:*** Universities focusing on applied arts and technologies generally focus on technical knowledge and skills. Students with strong practical skills are expected to experience the increasing demand in China's employment market. The PRC government is expected to further strengthen its support for the development of profession-oriented higher education and relevant institutions.

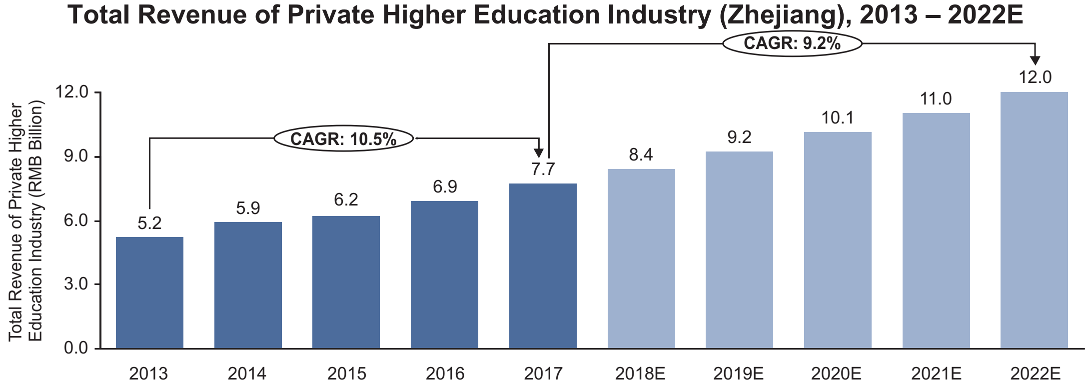
OVERVIEW OF THE PRIVATE HIGHER EDUCATION MARKET IN ZHEJIANG

Zhejiang is one of the most economically active provinces in China, which contributed approximately 6.3% of the nominal GDP in China in 2017, according to the Frost & Sullivan Report. Zhejiang is also known as a province with well-developed private economy. Zhejiang attaches great importance in education. As of 2017, Zhejiang had 36 private universities and colleges with an enrollment of 313,200 students, according to the Frost & Sullivan Report. Zhejiang's prosperous economy is the main driver for its private higher education market. As an economically developed province, Zhejiang provides a broad range of job opportunities for university and junior college graduates.

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

According to the Frost & Sullivan Report, the total revenue of private higher education in Zhejiang has been growing rapidly from 2013 to 2017. It increased from RMB5.2 billion in 2013 to RMB7.7 billion in 2017, representing a CAGR of 10.5%. From 2017 to 2022, Zhejiang's total revenue of private higher education is expected to reach RMB12.0 billion in 2022, representing a CAGR of 9.2%. The following diagram illustrates the total revenue generated by the Zhejiang private higher education industry from 2013 to 2017, and the forecast of revenue from 2018 to 2022.

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



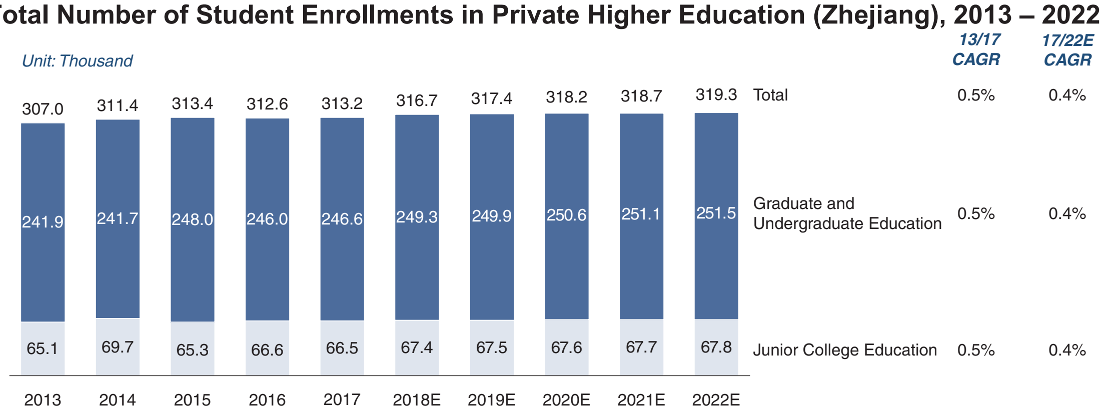
Source: Frost & Sullivan

According to the Frost & Sullivan Report, as of December 31, 2017, the total revenue of the private higher education industry in Zhejiang was approximately RMB7.7 billion, representing approximately 6.7% of the total revenue generated from the private higher education industry in China.

Student Enrollment in the Private Higher Education Industry in Zhejiang

According to the Frost & Sullivan Report, from 2013 to 2017, total number of student enrollments in private higher education in Zhejiang has increased from 307,000 to 313,200, representing a CAGR of 0.5%. From 2017 to 2022, the number of student enrollments in private higher education in Zhejiang is expected to grow at a CAGR of 0.4%, reaching 319,300 in 2022. The following diagram illustrates the total number of student enrollments in the Zhejiang private higher education industry from 2013 to 2017, and the forecast of such enrollments from 2018 to 2022.

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



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the higher education resources are relatively abundant in Zhejiang due to its well-developed economy. The student penetration rate of private higher education in Zhejiang has remained stable over the past several years, reaching 29.1% in 2017. It is estimated that student penetration rate is expected to reach 27.4% by 2022 due to a higher growth of student enrollment in public higher education in Zhejiang.

Market Drivers of Private Higher Education Market in Zhejiang

The development of Zhejiang's private higher education is primarily driven by the following factors:

- ***Abundant student resources:*** Due to the broad range of employment opportunities in economically developed province such as Zhejiang, students from other regions in China are willing to study and work there after graduation. Since there are more enterprises in economically developed regions, more school-cooperation projects and well-known enterprises have participated in teaching and practice activities at universities and junior colleges. Moreover, private institutions in economically developed regions can establish specialties and courses based on the broader needs of the job market;

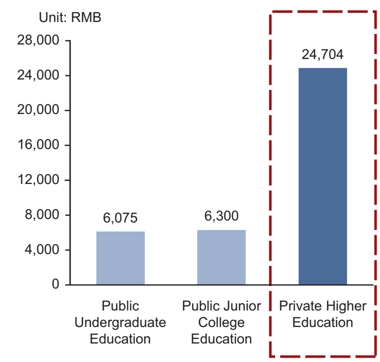
- ***Higher expenditure on education:*** With higher disposable income of residents in Zhejiang, parents are able to afford higher costs in order to provide better education to their children. As per capita annual expenditure on education in Zhejiang has been growing at a faster pace than the national average, parents in Zhejiang are willing to spend more on education; and

- ***Supports from the government:*** Zhejiang's government attaches great importance to the development of private higher education. It has issued several policies on promote private education, including the Implementation Measures for Encourage Social Power to Establish Education to Promote the Healthy Development of Private Education (《浙江省公共財政扶持民辦教育發展實施辦法》). The Implementation Measures for Encourage Social Power to Establish Education to Promote the Healthy Development of Private Education (《浙江省公共財政扶持民辦教育發展實施辦法》) proposes to build a "talent peak" in Zhejiang and attract professional talents from around the world, which will provide a relaxed policy environment for high-end talents. As a province with well-developed private education system, the stronger support from the government is expected to drive the private higher education market.

Tuition Fee of Private Higher Education in Zhejiang

According to the Frost & Sullivan Report, the average tuition fee of public higher education institutions in Zhejiang remained relatively stable during the past five years due to the strict pricing control by the Ministry of Education of Zhejiang and the Price Bureau of Zhejiang. It is anticipated that the tuition fees of public higher education institutions are expected to remain steady in the near future. Therefore, according to the Frost & Sullivan Report, the gap between the tuition fees of public higher education institution and those of private ones is expected to continue to widen due to the liberalization of tuition fees and boarding fees for for-profit private education. Set forth below is a comparison of tuition fee between private and public higher education institutions in Zhejiang in 2017.

Benchmark of Tuition Fee (Zhejiang), 2017

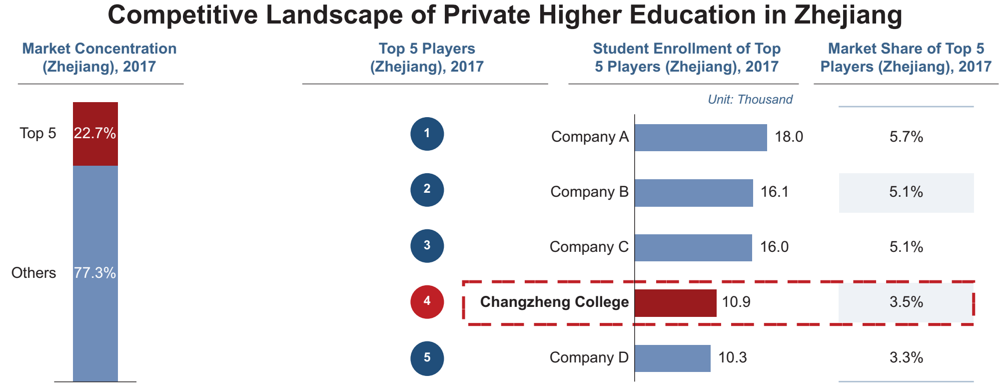


Source: Frost & Sullivan

Competitive Landscape of Private Higher Education in Zhejiang

According to Frost & Sullivan Report, Zhejiang's private higher education market is quite concentrated. By the end of 2017, the top 5 players together occupied 22.7% of the market share in terms of student enrollment. Changzheng College ranked fourth place in 2017, accounting for 3.5% of the private higher education market in terms of student enrollment in Zhejiang. The chart and diagram below set forth the market share and the student enrollment information of the top five players in private higher education industry in Zhejiang in 2017.

Competitive Landscape of Private Higher Education in Zhejiang

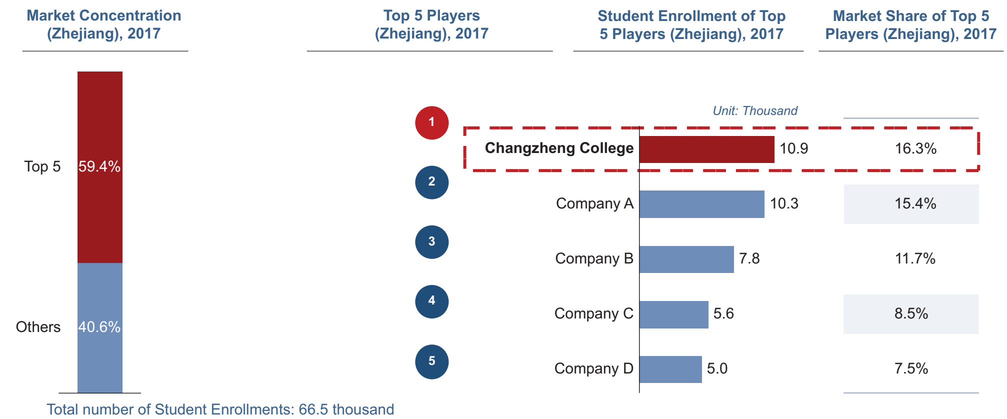


Source: Frost & Sullivan

Competitive Landscape of Private Junior College in Zhejiang

According to Frost & Sullivan Report, Zhejiang's private junior college market is quite concentrated. By the end of 2017, the top 5 players together occupied 59.4% of the market share in terms of student enrollment. Changzheng College ranked first place in 2017, accounting for 16.3% of the private junior college market in terms of student enrollment in Zhejiang. The chart and diagram below set forth the market share and the student enrollment information of the top 5 players in private junior college industry in Zhejiang in 2017.

Competitive Landscape of Private Junior College in Zhejiang



Source: Frost & Sullivan

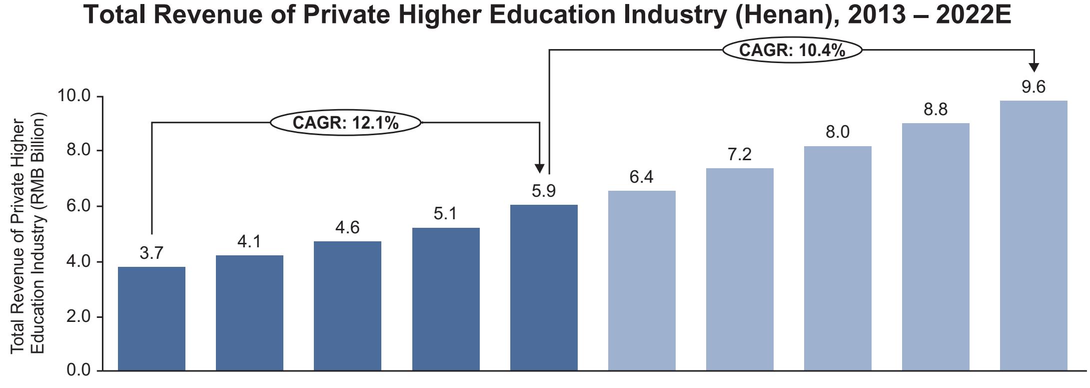
OVERVIEW OF PRIVATE HIGHER EDUCATION INDUSTRY IN HENAN

Henan has experienced rapid development in its economy over the past two decades, and its economy has expanded at an even faster rate than the national average. In 2017, Henan's nominal GDP was RMB4.5 trillion, making it the fifth largest economy in China according to the Frost & Sullivan Report.

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

According to the Frost & Sullivan Report, Henan's total revenue of private higher education has been growing significantly from 2013 to 2017. It increased from RMB3.7 billion in 2013 to RMB5.9 billion in 2017, representing a CAGR of 12.1%. From 2017 to 2022, Henan's total revenue of private higher education is expected to reach RMB9.6 billion in 2022, representing a CAGR of 10.4%. The following diagram illustrates the total revenue generated by the Henan private higher education industry from 2013 to 2017, and the forecast of revenue from 2018 to 2022.

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



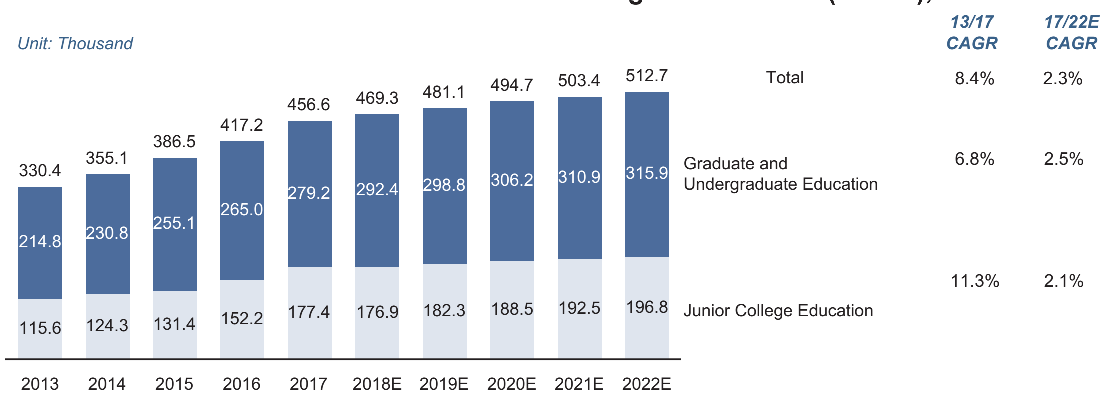
Source: Frost & Sullivan

According to the Frost & Sullivan Report, as of December 31, 2017, the total revenue of the private higher education industry in Henan was approximately RMB5.9 billion, representing approximately 5.1% of the total revenue generated from the private higher education industry in China.

Student Enrollment in Private Higher Education in Henan

According to the Frost & Sullivan Report, total number of student enrollments in private higher education has increased from 330,400 in 2013 to 456,600 in 2017, representing a CAGR of 8.4%. From 2017 to 2022, the number of student enrollments in private higher education in Henan is expected to grow at a CAGR of 2.3%, reaching 512,700 in 2022. The following diagram illustrates the total number of student enrollments in the Henan private higher education industry from 2013 to 2017, and the forecast of such enrollments from 2018 to 2022.

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



Source: Frost & Sullivan

According to the Frost & Sullivan Report, from 2013 to 2017, the enrollment rate of students aged 18 to 21 in Henan grew from 30.1% to 41.8%. For the forecast period, the enrollment rate of higher education in Henan is expected to reach 55.7% in 2022. According to the Frost & Sullivan Report, Henan's higher education enrollment rate significantly lags behind the country's average level. Demand for higher education is expected to continue to increase due to continued economic development and the increasing availability of higher education resources, especially the private higher education resources.

Furthermore, the student penetration rate of private higher education in Henan has increased steadily over the past several years, from 20.0% in 2013 to 22.3% in 2017, according to the Frost & Sullivan Report. It is estimated that the student penetration rate of private higher education in Henan will reach 23.5% in 2022.

Market Drivers of Private Higher Education Market in Henan

The development of Henan's private higher education is primarily driven by the following factors:

- ***Shortage of higher education resources:*** Henan is in short of higher education resources, especially in the public sector. The level of financial support from the local government has restrained the development of public higher education. Therefore, the development of private higher education helps to fulfill the shortage of higher education resources;

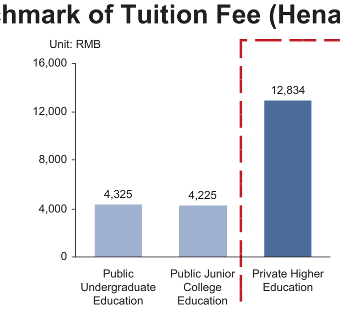
- ***A large number of eligible students:*** Due to the large population and the relative shortage of public higher education resources, the college entrance examination competition in Henan is more intense than in other provinces in China. Accordingly, the emergence of private higher education institutions can fill the gaps in the market and satisfy the demand for higher education; and

- ***Growing market demand for technical talents:*** Henan plays an important role in the development of China's overall economy. The growth of Henan's GDP continues to be higher than the national average. The development of the economy requires a sufficient number of talented people to fill positions in all areas. Private higher education institutions are able to develop and supply a large number of talents. As a result, the private higher education market in Henan has significant growth potential.

Tuition Fee of Private Higher Education in Henan

According to the Frost & Sullivan Report, the average tuition fee of public higher education institutions in Henan hardly adjusted during the past five years due to the strict price control by the Development and Reform Commission of Henan and the Ministry of Education of Henan. It is estimated that the tuition fee of public higher education institutions is expected to remain stable. On the other hand, the benchmark tuition fee for private education is nearly three times of that of public education. Set forth below is a comparison of tuition fee between private and public higher education institutions in Henan in 2017.

Benchmark of Tuition Fee (Henan), 2017

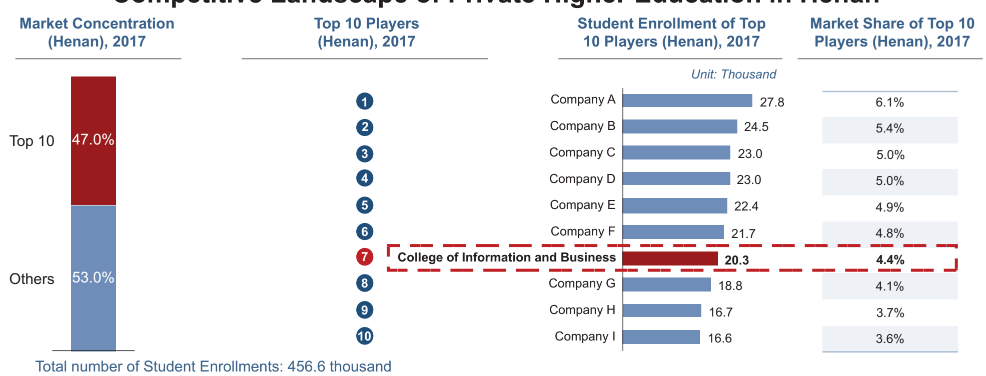


Source: Frost & Sullivan

Competitive Landscape of Private Higher Education in Henan

Henan's private higher education market is relatively concentrated, according to the Frost & Sullivan Report. By the end of 2017, the top 10 players together occupied 47.0% of the market share in terms of student enrollment. College of Information and Business ranked seventh place in 2017, accounting for 4.4% of the private higher education market in terms of student enrollment in Henan. The chart and diagram below set forth the market share and the student enrollment information of the top ten players in private higher education industry in Henan in 2017.

Competitive Landscape of Private Higher Education in Henan



Source: Frost & Sullivan

ENTRY BARRIERS OF THE PRIVATE HIGHER EDUCATION MARKET IN THE PRC

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

- ***Approval of the government:*** School operators in China are required to obtain and maintain a series of approvals, licenses and permits and comply with specific registration and filing requirements, including requirements on registered capital, total assets, availability of land and the number of minimum student enrollments, as well as teaching staff qualification. Additionally, the establishment of a private school in China is also subject to approvals under the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) 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》). The lengthy, complex and uncertain application process has become a natural entry barrier especially for new school operators;

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

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

- ***Qualified teachers:*** The structural adjustment of China's higher education industry that involves matching talent cultivation with market demand has meant that qualified teachers with relevant practical industry experience and know-how are in great demand, which may pose as a difficulty for new participants who do not have sufficient access to such resources from entering the market;

- ***Land resource and relevant facilities:*** To meet various requirements of teaching and extracurricular activities, schools always need plenty of land resource to build teaching constructions and establish relevant facilities. The land resource is usually authorized by the local governments or achieved by renting. With the tight supply of available land resource and the rising rental cost of current land resource, it is becoming more and more difficult to gain additional land resource; and

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

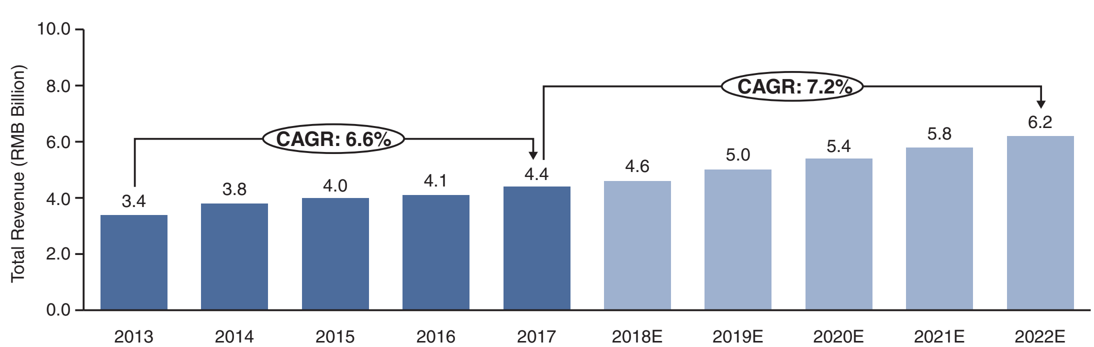
OVERVIEW OF PRIVATE HIGH SCHOOL EDUCATION IN ZHEJIANG

Zhejiang is one of the most economically developed provinces in China, including well-developed private sector, according to the Frost & Sullivan Report. In 2017, the nominal GDP of Zhejiang province reached RMB5.2 trillion, which ranked fourth among all provinces in China. In 2017, the penetration rate of private high schools in Zhejiang province reached 25.0% based on a total number of student enrollments of 193,500 in 2017 private high schools in the province, according to the Frost & Sullivan Report.

Market Size and Trends of the Private High School Education Industry in Zhejiang

According to the Frost & Sullivan Report, the total revenue of private high school education in Zhejiang has been growing rapidly from RMB3.4 billion in 2013 to RMB4.4 billion 2017, representing a CAGR of 6.6%. Zhejiang's total revenue of private high school education is expected to reach RMB6.2 billion in 2022, representing a CAGR of 7.2% from 2017 to 2022, according to the Frost & Sullivan Report. The following diagram illustrates the total revenue generated by the Zhejiang private high school education industry from 2013 to 2017, and the forecast of revenue from 2018 to 2022.

Total Revenue of Private High School Education Industry (Zhejiang), 2013 – 2022E

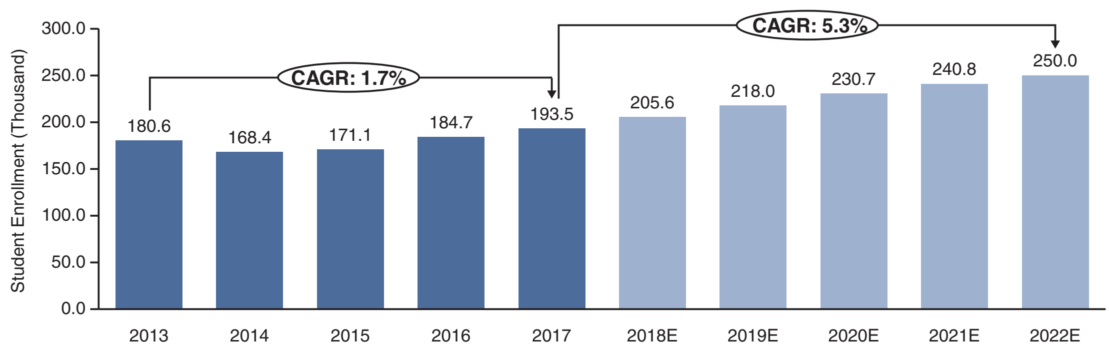


Source: Frost & Sullivan

Student Enrollment in Private High School Education in Zhejiang

According to the Frost & Sullivan Report, total number of student enrollments in private high school education in Zhejiang has increased from 180,600 in 2013 to 193,500 in 2017, representing a CAGR of 1.7%. From 2017 to 2022, the number of student enrollments in private high school education in Zhejiang is expected to grow at a CAGR of 5.3%, reaching 250,000 in 2022. The following diagram illustrates the total number of student enrollments in the private high school education industry in Zhejiang from 2013 to 2017, and the forecast of such enrollments from 2018 to 2022.

Total Number of Student Enrollments in Private High School Education (Zhejiang), 2013 – 2022E



Source: Frost & Sullivan

Market Drivers of Private High School Education Market in Zhejiang

The development of Zhejiang's private high school education is primarily driven by the following factors:

- ***Higher expenditure on education:*** The continuous development of the economy in Zhejiang and the increase in per capita expenditure on education continues to drive the development of private high school education market in Zhejiang;

- ***Social awareness of private education:*** Private high school education has been developing for many years in Zhejiang as a new form of education system. The objective of private schools has been changed from providing education as a supplement to public school to providing premium quality education; and

- ***Supports from the government:*** Zhejiang government attaches great importance to development of private high school education. It has issued several policies on promoting private education, including the Implementation Measures for Encourage Social Power to Establish Education to Promote the Healthy Development of Private Education (《浙江省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), which was followed by specific supporting policies in order to ensure the smooth implementation of the policy.

Tuition Fee of Private High School Education in Zhejiang

According to the Frost & Sullivan Report, while the average tuition fees of public high schools in Zhejiang remained relatively stable during the past five years due to the strict pricing control by the Ministry of Education of Zhejiang and the Price Bureau of Zhejiang, the average tuition fees for private higher schools in Zhejiang was much higher than those of public high schools. In 2017, the benchmark tuition fee of public high schools was RMB4,200 per student per year, whereas the average benchmark tuition fee of private high schools was RMB20,313 per student per year, according to Frost & Sullivan Report.

Competitive Landscape of Private High School Education in Zhejiang

Zhejiang's private high school education market is highly competitive. By the end of 2017, there were 201 private high schools in Zhejiang with a total number of enrollments of 193,500 students, among which there are approximately 80 private high schools each with more than 1,000 student enrollment. Jinyi Secondary School is one of them. Jinyi Secondary School ranked approximately in the range of 50 to 80 in 2017 in terms of student enrollment, and accounted for approximately 0.5% of the private high school education market in Zhejiang.

PRC REGULATIONS

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

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

Regulations on Foreign Investment

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

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

The FIL was formally adopted by the 2nd session of the thirteenth National People's Congress on March 15, 2019, and will become effective on January 1, 2020. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the State implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of China shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in laws and regulations.

From January 1, 2020, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-owned Enterprise Law shall be abolished. The organization form, organization and activities of foreign-invested enterprises shall be governed by the Company Law of the People's Republic of China and the Partnership Enterprise Law of the People's Republic of China. Foreign-invested enterprises established before the implementation of this Law may retain the original business organization and so on within five years after the implementation of this Law.

Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017, with effect from the same date and amended on June 29, 2018, with effect from June 30, 2018, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

Our PRC Legal Advisor are of the view that the FIL which will become effective in January 1, 2020 will not have any negative impact on our Company's existing contractual arrangements under the Structured Contracts on the basis that:

(i) FIL will become effective from January 1, 2020, and there is no provision for retroactive application. All of the Structured Contracts have been entered by our Group and have become effective before FIL becomes effective;

(ii) FIL does not clearly classify or include contractual arrangements as a kind of foreign investments within the regulatory scope; and

(iii) according to FIL, foreign investments include three types of specific activities and other activities prescribed by laws, administrative regulations or State Council regulations. As of the Latest Practicable Date, no laws, administrative regulations or State Council regulations clearly defined contractual arrangements as a kind of foreign investments.

Foreign Investment Industries Guidance Catalog (2017)

The Foreign Investment Catalog was amended and promulgated by the NDRC and MOFCOM on June 28, 2017 and became effective on July 28, 2017. Under the Foreign Investment Catalog, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries and (ii) foreign-invested industries which are subject to the Special Administrative Measures for Access of Foreign Investment (Negative List for Access of Foreign Investments) (the "Negative List 2017"). The Negative List 2017 is further divided into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List 2017 are permitted foreign-invested industries. On June 28, 2018, the NDRC and the MOFCOM promulgated the Negative List 2018, which came into effect on July 28, 2018 and replaced the Negative List 2017.

Pursuant to the Negative List 2017 and Negative List 2018, higher education and high school education are both restricted industries for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party and the domestic party shall play a dominant role in the cooperation, which means the headmaster or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total number of the members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative education institution. In addition, foreign investors are prohibited from investing in compulsory education, namely primary school to middle school.

Regulations on Sino-foreign Cooperation in operating school

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

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

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金

進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institution shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

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

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

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

The Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective on September 1, 2003 and was subsequently amended on June 29, 2013 and November 7, 2016 and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004. According to these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall comply with those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations and other cultural education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level, which shall send a duplicate of the approval document to the administrative department for education at the same level for the record. A duly approved private school will be granted a Permit for Operating a Private School (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC (中華人民共和國民政部, the "MCA") or its local counterparts as a privately run non-enterprise institution (民辦非企業單位).

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

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

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

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

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

According to the Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), which was issued by the State Council of the PRC on December 29, 2016 and became effective from the same date, innovative institutional mechanisms shall be implemented in the field of private education, which include but are not limited to: (i) classification registration and management shall be applicable to private schools and the sponsors of private schools shall, at their own discretion, choose to run non-profit private schools or for-profit private schools; (ii) different government support policies shall be applicable to private schools. The People's government at all levels are responsible for formulating and perfecting support policies for non-profit private schools including but not limited to government subsidies, government procurement services, fund incentives, donation incentives and land allocation. At the same time, the People's government at all levels may support the development of for-profit private schools by ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service; and (iii) broaden the financing channels for private schools, encourage and attract private funds to enter into the field of private education. Financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating income in the future or intellectual property rights, while individual persons or entities are encouraged to make donation to non-profit private schools.

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

According to the Implementing Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》), which was issued by the People's Government of Henan Province on February 2, 2018 and became effective on the same date, further measures shall be implemented in the field of private education, which include but are not limited to: (i) higher private education institutions shall finish the classification registration before the end of 2022, and the classification registration date of other private schools shall be decided by provincial city and direct provincial administration county (city); (ii) non-profit schools implement government-guided prices and will gradually implement market adjusted prices. The fee collection of for-profit schools is only subject to market adjustment and for-profit schools are entitled to determine fee standards by their own. Once the fee collection items and standards are determined, they shall not be expanded or increased within an academic year; and (iii) private schools implement compulsory information disclosure system.

According to the Implementing Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《浙江省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), which was issued by the People's Government of Zhejiang Province on December 26, 2017 and became effective from the same date, further measures shall be implemented in the field of private education, which include but are not limited to: (i) the existing private schools established before the promulgation of the 2016 Decision on November 7, 2016 (the "Existing Private Schools") (現有民辦學校) shall finish the classification registration before the end of 2022; and (ii) for-profit schools in Zhejiang Province are entitled to determine their tuition fees and accommodation fees by their own and non-profit private higher education schools in Zhejiang province are also allowed to determine their tuition fees and accommodation fees in accordance with the market situations.

Implementing Measures on Classification Registration of Private Schools

According to the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》, "the Classification Registration Rules"), which was issued jointly by the MOE, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce on December 30, 2016 and became effective from the same date, without stipulating any definite effective date, the establishment of a private school is subject to approval. Private schools approved to be established shall apply for the registration certificate or business license in accordance with the classification registration regulations after they obtained the license for school operation by the competent government authorities.

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

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

According to the Implementing Measures on Alteration of Registration Classification of Existing Private Schools (《現有民辦學校變更登記類型實施辦法》), which was issued by the Department of Education of Zhejiang Province, the Department of Human Resources and Social Security of Zhejiang Province, the Department of Civil Affairs of Zhejiang Province and other relevant departments on April 4, 2018, and became effective from June 1, 2018, if the Existing Private Schools choose to be non-profit private schools, the schools shall amend their articles of association and then continue their school operation. If the Existing Private Schools choose to be for-profit private schools, they shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the People's governments, pay relevant taxes and fees, obtain new school permits, carry out their re-registration with the industrial and commerce departments and continue their school operation. The school operations of the re-registered for-profit private schools shall not be inferior to those of the Existing Private Schools. Upon the re-registration of the for-profit private schools, the Existing Private Schools shall transfer their land and other assets to the for-profit private schools and then make cancelation of registration for themselves. Upon the cancelation of the registration of the Existing Private Schools, the rights enjoyed and obligations assumed by the Existing Private Schools shall be enjoyed and assumed by the re-registered for-profit schools. The Existing Private Schools shall change lands obtained by allocations (if any) into lands obtained by sales before such lands are transferred to the re-registered for-profit schools.

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

According to the Implementing Measures for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), which was issued jointly by the MOE, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce on December 30, 2016 and became effective from the same date, without stipulating any definite effective time, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools implementing compulsory education.

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the Circular on the Reform of the administration of tuition for private Colleges (《關於改革我省民辦高校學歷教育收費管理方式有關事項的通知》) promulgated jointly by Henan Provincial Development and Reform Commission and Henan Provincial Department of Education on January 5, 2017, which became effective from autumn semester of 2017, tuition of non-profit private colleges shall be subject to upper limit administration, and for-profit colleges implement market adjusted price.

Regulations on Safety and Health Protection of Schools

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

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was amended on April 24, 2015 and became effective on October 1, 2015, collective canteens of schools shall obtain 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 catering 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 March 4, 2010 and became effective on May 1, 2010, a licensing system for catering industry is implemented. A catering service provider shall obtain food service license, and assume the food safety liability in accordance with the laws. Pursuant to Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated on August 31, 2015 and became effective on October 1, 2015 and amended on November 17, 2017 with effect from the same date, a 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 March 4, 2010 and became effective on May 1, 2010, catering service providers shall carry out catering service activities in accordance with the 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.

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 by the General Office of the MOE on April 29, 2006 and with effect from the same date, the private schools should pay high attention to and strengthen school hygiene and epidemic prevention and food hygiene and safety.

Regulations on Higher Education

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

In addition, the MOE issued the Several Provisions on the Administration of Private Colleges and Universities (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which was amended on November 10, 2015, pursuant to which the conditions for running private colleges and universities shall comply with the establishment standards as prescribed by the State and the basic indicators for running regular colleges and universities. The investors of a private college or university shall, under the Law for Promoting Private Education of the PRC and the regulation for the implementation thereof, timely and fully perform the capital contribution obligation. No private college or university may engage in educational and teaching activities in any place other than that as specified in the license for running private education, or establish any branch, or rent or lend to others its license for running private education. The principal of a private college or university shall satisfy the appointment requirements of the State and shall have 10 or more years of experience of administration of higher education and shall be less than 70 years' old. The term of office of a principal shall be 4 years in principle.

Regulations on Secondary Vocational Education

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

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

Regulations on Compulsory Education

According 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 April 12, 1986 and was amended on June 29, 2006 and April 24, 2015, a nine-year system of compulsory education, including six years of primary school and three years of middle school, was adopted.

Regulation on After-school Training

According to the Opinion on Regulating the Development of After-school Training Institutions (《國務院辦公廳關於規範校外培訓機構發展的意見》) which is promulgated by the General Office of the State Council on August 6, 2018 and became effective on the same day, after-school training institutions shall meet certain standards in respect of sites, teachers, management. After-school training institutions are permitted to conduct training when they have obtained School Operating License and Business License (or Legal Person's Registration of Institutions, Private Non-enterprise Registration Certificate). The approval and registration of after-school training institutions shall be subject to local management. Education departments at the county level are responsible for the issuance of School Operating License upon examination and approval. Without approval by the relevant education department, no after-school training institution shall provide training for primary and secondary school students in the name of homeschool, consulting and cultural transmission, among other things.

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

On July 8, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium- and Long-Term Education Reform and Development (2010-2020) (《國家中長期教育改革和發展規劃綱要》(2010-2020)), which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) for-profit private education entities and (2) non-profit private education entities. On October 24, 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (《關於開展國家教育體制改革試點的通知》, "the Pilot Notice"). Following the Pilot Notice, the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (《教育法律一攬子修訂建議草稿(送審稿)》, the "Drafted Amendments") which were published by the legislation office of the State Council on September 5, 2013. The NPC Standing Committee published Package Amendments to Education Laws (Draft) (《教育法規一攬子修正案(草案)》, the "Package Amendments") on September 7, 2015. According to the Pilot Notice, the Drafted Amendments and the Package Amendments, the PRC government plans to implement a for-profit and non-profit classification management system for private schools.

LEGAL REGULATIONS OVER REAL PROPERTY IN THE PRC

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

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

LEGAL REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC

Copyright

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

Trademark

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

Patent

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

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and with effect from November 1, 2017, "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 served" is followed for the domain name registration service. Domain name registrations are handled through domain name service agencies established under the relevant regulations.

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 NPC Standing Committee on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers engaged in operations which are exposed to occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》, the "Labor Contract Law"), which was promulgated by the NPC Standing Committee on June 29, 2007, became effective on January 1, 2008, and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》), which was promulgated on September 18, 2008 and became effective on the same date, regulate both parties of a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of a labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on the Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the

Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the effective date of the Labor Contract Law.

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

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

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

LEGAL REGULATIONS OVER TAX IN THE PRC

Enterprise Income Tax

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

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部國家税務總局關於教育税收政策的通知》), (the "Circular 39") and the 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 corporate income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools shall be exempt from corporate income tax on the financial allocations that they have received and special subsidies that they have obtained from their administrative departments or institutions at higher levels.

According to the Law for Promoting Private Education of the PRC, private school enjoys the State preferential tax policies, while the non-profit private school enjoys the same preferential tax treatment as public schools.

Income Tax In Relation To Dividend Distribution

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

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《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》), which was promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局), (the "State Administration of Taxation") and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtaining of the dividends, reach a percentage specified in the tax agreement.

Value-added Tax

According to the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017 and with effect from the same date, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; and the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and SAT, the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the MOF and SAT on March 23, 2016 and became effective on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016 and business tax payers engaged in various industries shall be included in the scope of the pilot program for the payment of VAT instead of business tax. For general service income, the applicable VAT rate is 6%. Schools engaged in academic education are exempted from VAT on their education service.

Other Tax Exemptions

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

LEGAL REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

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

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents, 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 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 the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

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

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

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

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (Revised in 2009 and became effective on June 22, 2009, the "M&A Rules"), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

California Private Postsecondary Education Act

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

Approval to Operate Private Postsecondary Educational Institution

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

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

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

Formal application can be made to the BPPE for approval to operate a private postsecondary educational institution and the non-accredited application process consists of two stages of review: completeness review and compliance review. After submission of an application to the BPPE by an educational institution together with the required documentation and fees, the bureau will review the completeness of the application within 30 days of receipt of the application. After the bureau is satisfied with the completeness of the application, the application will be put before an analyst for compliance review. During the stage of compliance review, the analyst will determine whether the institution has the capacity to satisfy the minimum operating standards. If applicable, the application will then be submitted to the Quality of Education Unit ("QEU") to review the education programs if they are not solely approved by another licensing entity. Once the QEU has completed its review, findings of the QEU will be forwarded to the licensing analyst of the BPPE and an approval to operate may be granted by the BPPE.

Voluntary Non-Governmental Accreditation Process

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

The Accrediting Commission of Career Schools and Colleges ("ACCSC") is a national accrediting agency recognized by the U.S. Department of Education for its accreditation of postsecondary, non-degree-granting institutions and degree-granting institutions in the U.S. The accreditation process for ACCSC primarily involves the following progressive stages: (i) determination of eligibility, (ii) attendance of a mandatory pre-accreditation workshop organized by ACCSC, (iii) application for initial accreditation within six months after the pre-accreditation workshop, (iv) on-site evaluation to be carried out by a team of experienced professionals at ACCSC, (v) team summary report to be issued by ACCSC summarizing its observations of the school and the subsequent filing of a response by the applicant, and (vi) grant of initial accreditation in case ACCSC concluded that its accreditation standards and requirements are met by the applicant. In order to meet the eligibility criteria set by ACCSC, an applicant must be a private postsecondary institution with trade, occupational or technical educational objectives. In order to be eligible, the applicant must also have been operating for two consecutive years prior to the application for accreditation (except for regularly scheduled breaks and vacation periods), and demonstrate that it commits to operate continuously thereafter. In general, an initial accreditation status will be granted to an educational institution for a maximum of five years based on its demonstrated ability to maintain continuous compliance with ACCSC's accrediting standards before renewal. According to ACCSC, it typically takes an applicant between 18 months and two years to complete the initial accreditation process.

The Western Association of Schools and Colleges, Senior Colleges and University Commission ("WSCUC") is one of the regional accrediting agencies recognized by the U.S. Secretary of Education for its accreditation and pre-accreditation of senior colleges and universities in (among other regions) California. The accreditation process for the WSCUC involves three progressive stages: (i) eligibility, (ii) pre-accreditation or candidacy, and (iii) initial accreditation. An educational institution will be granted a maximum of five years of eligibility after review by the WSCUC that the educational institution meets the eligibility criteria set by WSCUC. Pre-accreditation is a preliminary affiliation with the WSCUC awarded to an educational institution that meets all or nearly all the standard at a minimum level for a maximum of five years. Initial accreditation will be awarded to an educational institution that has met the WSCUC's standards at a substantial level for a maximum of six years before the next comprehensive review.

OUR HISTORY AND DEVELOPMENT

Overview

We are currently engaged in the provision of private formal higher education and high school education in China. Our history can be tracked back to September 1997 when four brothers, Mr. Chen Yuguo (陳餘國), Mr. Chen Yucao (陳餘曹), Mr. Chen Yuchun (陳餘春) and Mr. Chen Yutian (陳餘鈿) established Jingyi Secondary School to provide high school education in Yueqing city, Wenzhou city, Zhejiang province, the PRC. As confirmed by these four founders of our Group, they used their own funds to fund the investment.

In 2006, we expanded our business into the provision of formal higher education by acquisition of 53.62% of the school capital contributor's interest in Changzheng College, which is a formal higher education institution located in Hangzhou city, Zhejiang province, the PRC.

In 2007, we started to cooperate with Zhongyuan University of Technology (中原工學院) to operate College of Information and Business, which is an independent college in Zhengzhou city, Henan province, the PRC, that provides formal undergraduate education and junior college education.

Business Milestones

The following illustrates our major development milestones:

Year	Event
1997	• We established Jingyi Secondary School and started to provide high school education
2003	• We established Zhejiang JH Education Group Company Limited* (浙江嘉宏教育集團有限公司), now known as JH Holdings Group
2006	• We acquired 53.62% of the school capital contributor's interest in Changzheng College, expanding our business to the provision of formal higher education
2007	• We obtained the approval from education authority to cooperate with Zhongyuan University of Technology (中原工學院) to operate College of Information and Business and further expanded our business of formal undergraduate education and junior college education
2017	• We entered into an agreement on transformation of College of Information and Business into a private-owned undergraduate college to be wholly-owned by us, to be named Zhengzhou College of Economics & Business* (鄭州經貿學院)

See "Business — Awards and Recognition" in this prospectus for details on the awards and recognition received by our schools.

OUR PRC CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, our Group, through the Structured Contracts, comprised the following consolidated affiliated entities which principally affected the results, assets or liabilities of our Group:

1. Jingyi Secondary School

Jingyi Secondary School is a private formal high school educational institution established under the laws of the PRC on September 25, 1997 with an initial capital of RMB1 million.

From the date of its establishment and as of the Latest Practicable Date, the school sponsor's interest in Jingyi Secondary School was owned as to 45% by Mr. Chen Yuguo (陳餘國), 25% by Mr. Chen Yucao (陳餘曹), 15% by Mr. Chen Yuchun (陳餘春) and 15% by Mr. Chen Yutian (陳餘鈿).

2. Changzheng College

Changzheng College is a formal higher education institution formally established under the laws of the PRC on November 18, 2005 with an initial capital of RMB21.93 million. At the time of its establishment, the school sponsor of Changzheng College was registered solely as Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會). Pursuant to the joint stock schooling agreement* (股份制辦學協議書) dated July 15, 2000 and entered into among Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院), Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會) (i.e. the school sponsor of Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院)) and Mr. Chen Yuguo (陳餘國), and as confirmed in a joint schooling supplementary agreement dated February 18, 2006 and entered into between Hangzhou Changzheng Vocational School* (杭州長征業餘學校) and JH Holdings Group, the capital of Changzheng College upon establishment were contributed as to 46.38% by Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院) with its own assets and 53.62% by Mr. Chen Yuguo (陳餘國) by cash. As confirmed by our PRC Legal Advisors, the difference between the registered school sponsor and actual school capital contributors of Changzheng College does not violate applicable PRC laws and regulations.

On February 18, 2006, Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院), Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會), JH Holdings Group, Mr. Chen Yuguo (陳餘國) and Hangzhou Changzheng Vocational School* (杭州長征業餘學校) entered into an agreement, pursuant to which (i) the 46.38% of the capital of Changzheng College originally owned by Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院), as well as all creditor's rights and liabilities thereto, shall be transferred to Hangzhou Changzheng Vocational School* (杭州長征業餘學校), and (ii) the 53.62% of the capital of Changzheng College originally owned by Mr. Chen Yuguo (陳餘國), as well as all creditor's rights and liabilities thereto, shall be transferred to JH Holdings Group. Upon approval from the Zhejiang Department of Education on November 23, 2006 and registration at the Civil Affairs Bureau of Zhejiang Province on

November 29, 2006, and as of the Latest Practicable Date, the school sponsors of Changzheng College are registered as Zhejiang Provincial Committee of the Chinese Kunmingtang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會) and JH Holdings Group and the school capital contributor's interest in Changzheng College was owned as to 53.62% by JH Holdings Group and 46.38% by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), a private school whose school sponsor is Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會).

Our PRC Legal Advisors are of the view that the MOJ Draft for Comments is not expected to have adverse impact on our Group in relation to the interests in 46.38% of Changzheng College owned by a private school because the MOJ Draft for Comments only prohibits public schools from investing in for-profit schools and contains no similar limitations on private schools.

3. College of Information and Business

College of Information and Business was established as an independent college under the laws of the PRC in December 2003 with an initial capital of RMB10 million. Immediately prior to our investment in College of Information and Business, the school sponsor's interest in College of Information and Business was jointly owned by Zhongyuan University of Technology* (中原工學院), China Textile and Apparel Education Society* (全國紡織教育學會), Zhengzhou Textile Machinery Co., Ltd.* (鄭州紡織機械股份有限公司) and Hongda Investment Company Limited* (宏大投資有限公司).

On September 16, 2006 and October 18, 2006, Zhongyuan University of Technology and JH Holdings Group entered into cooperation agreements on the reorganization of College of Information and Business, pursuant to which, among other things, JH Holdings Group should make investment into College of Information and Business by using the land, buildings and relevant facilities owned by it and Zhongyuan University of Technology should use intangible assets including but not limited to school brand as its investment. Both parties agreed that (i) College of Information and Business consists of the Main Campus and the North Campus; (ii) 35% of the investment to be made into College of Information and Business should be made by Zhongyuan University of Technology and 65% should be made by JH Holdings Group; (iii) the assets of the North Campus should be contributed by and belong to Zhongyuan University of Technology, and all the assets of the Main Campus should be invested by JH Holdings Group and belong to College of Information and Business; and (iv) Zhongyuan University of Technology shall be entitled to 35% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we shall be entitled to the remainder of the income and loss relating to the operation in the Main Campus. Upon completion of relevant registration at the Civil Affairs Bureau of Henan Province on November 27, 2007, the school sponsors were registered as JH Holdings Group and Zhongyuan University of Technology and the school capital contributor's interest in College of Information and Business was owned as to 65% by JH Holdings Group and 35% by Zhongyuan University of Technology.

On March 28, 2017, Zhongyuan University of Technology and JH Holdings Group entered into an agreement on transformation of College of Information and Business into a wholly private-owned undergraduate college (supplemented on June 12, 2018), pursuant to which, among other things, College of Information and Business should be transformed from an independent college to a wholly private-owned undergraduate college, to be named Zhengzhou College of Economics & Business* (鄭州經貿學院), to be wholly-owned by JH Holdings Group. As consideration, JH Holdings Group should pay Zhongyuan University of Technology RMB240 million, which was determined after arm's length negotiation with reference to an appraisal report issued by an independent valuer. Such consideration had been fully paid by JH Holdings Group to Zhongyuan University of Technology on October 29, 2018. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus.

During the Track Record Period, according to the various cooperation agreements between Zhongyuan University of Technology and JH Holdings Group and the then articles of association of College of Information and Business, (i) the board of directors shall comprise of nine directors, four of which shall be nominated by Zhongyuan University of Technology and five of which shall be nominated by JH Holdings Group; (ii) chairman of the board of directors shall be a director nominated by JH Holdings Group while vice chairman of the board of directors shall be a director nominated by Zhongyuan University of Technology; (iii) the principal of College of Information and Business shall be nominated by Zhongyuan University of Technology and approved by the board of directors of College of Information and Business; (iv) for major issues, including but not limited to the disposal of assets, material financial activities, changes in the management of College of Information and Business and the termination of the cooperation, shall be unanimously approved by the board of directors with written resolutions; and (v) for matters other than major issues, the board resolutions shall be approved by a vote of two-thirds (2/3) of the board of directors and also by the chairman and vice-chairman of the board of directors. JH Holdings Group was entitled to appoint five-ninth (5/9) of the board of directors, which was less than the required threshold of two-thirds (2/3) relating to the approval of other matters. Accordingly, during the Track Record Period, College of Information and Business was not a consolidated affiliated entity of our Group pursuant to relevant accounting standards.

On July 5, 2018, College of Information and Business became a consolidated affiliated entity of our Group according to the relevant accounting standards as a result of a change in the articles of association of College of Information and Business in relation to the decision making mechanism of the board of the school. According to the amended articles of association of College of Information and Business, (i) the board of directors shall comprise of nine directors and JH Holdings Group is entitled to appoint five-ninths (5/9) of the board of directors; (ii) chairman of the board of directors shall be a director nominated by JH Holdings Group while vice chairman of the board of directors shall be a director nominated by Zhongyuan University of Technology; (iii) for the appointment of the principal of the school, amendments to the articles of association and other special matters, the board resolutions shall be approved by a vote of two-thirds (2/3) of the board of directors; (iv) other than special matters, the board resolutions shall be approved by the vote of one-half (1/2) of the board of directors; and (v) the chairman of the board shall have the final decision on unresolved matters. Given that (a) JH Holdings Group is entitled to appoint five-ninths (5/9) of the board of directors, which would be more than the required threshold of one-half (1/2) relating to the resolution of matters other than special matters, (b) limited items are classified as special matters according to relevant PRC laws and are not very relevant to the determination of "control" over an entity from accounting perspective, including the appointment and dismissal of the principal, the revision of the articles of association, the formulation of development plan, review of the budget and annual accounts, and the determination of the mergers, division and termination of the school. The matters relating to the daily operation and management belong to other matters, on which JH Holdings Group holds a majority of the voting power at the board meetings and (c) the chairman of the board of directors nominated by JH Holdings Group shall have the final decision on any unresolved matters, JH Holdings Group is able to exercise control over College of Information and Business. Based on the foregoing, we have been able to consolidate the financial results of College of Information and Business into the consolidated financial statements of our Group since July 6, 2018.

Zhongyuan University of Technology has been entitled to all the income of the North Campus based on the cooperation agreements entered into in 2006. As of the Latest Practicable Date and during the process of transformation, students enrolled in the North Campus shall continue to study and receive education service in the North Campus. As transferring such students in the North Campus to the Main Campus would be burdensome to the students, in order to avoid any burden or interruption during the process of transformation, such students would be kept in the North Campus and it was agreed in the agreement on transformation dated March 28, 2017 (as supplemented on June 12, 2018) that Zhongyuan University of Technology shall continue to be entitled to the income generated from the North Campus during the process of transformation. After the completion of the transformation, we will enroll students in the name of Zhengzhou College of Economics & Business* (鄭州經貿學院) whose students will be based only in the Main Campus. Zhengzhou College of Economics & Business will no longer enroll any new students through the North Campus, which shall belong to Zhongyuan University of Technology.

As of the Latest Practicable Date, the relevant application on transformation of College of Information and Business from an independent college to a wholly private-owned undergraduate college is pending the final approval of the MOE. Upon completion of the transformation, (i) College of Information and Business will be wholly-owned by JH Holdings Group and JH Holdings Group will be able to nominate all nine directors of College of Information and Business, to the extent permitted by applicable PRC laws and regulations, and therefore will be able to operate and manage College of Information and Business through the board of directors; and (ii) since Zhongyuan University of Technology will no longer be a school sponsor of College of Information and Business, it will not have any influence on College of Information and Business.

4. JH Holdings Group

JH Holdings Group, formerly known as Zhejiang JH Education Group Company Limited* (浙江嘉宏教育集團有限公司), was established on June 17, 2003 under the laws of the PRC with a registered capital of RMB50 million. Upon establishment, the shareholding structure of JH Holdings Group was as set forth below:

Shareholder	Registered share capital	Percentage of the shareholding
	(RMB)	*(%)*
Mr. Chen Yuguo (陳餘國)	16,250,000	32.50
Mr. Chen Chengji (陳成濟)	17,500,000	35.00
Mr. Chen Yucao (陳餘曹)	6,250,000	12.50
Mr. Chen Yuchun (陳餘春)	5,000,000	10.00
Mr. Chen Yutian (陳餘鈿)	5,000,000	10.00
Total:	***50,000,000***	***100.00***

On December 29, 2005, the company name of JH Holdings Group was changed from Zhejiang JH Education Group Company Limited* (浙江嘉宏教育集團有限公司) to JH Holdings Group Company Limited* (嘉宏控股集團有限公司).

Following transfer of equity interests in JH Holdings Group before the Track Record Period and as at January 1, 2016 (beginning of the Track Record Period), the shareholding structure of JH Holdings Group was as set forth below:

Shareholder	Registered share capital	Percentage of the shareholding
	(RMB)	*(%)*
Mr. Chen Yuguo (陳餘國)	33,750,000	67.50
Mr. Chen Yucao (陳餘曹)	6,250,000	12.50
Mr. Chen Yuchun (陳餘春)	5,000,000	10.00
Mr. Chen Yutian (陳餘鈿)	5,000,000	10.00
Total:	***50,000,000***	***100.00***

On June 1, 2017, gift agreements were entered into (i) between Mr. Chen Yuguo (陳餘國) and Mr. Chen Shu (陳澍), (ii) between Mr. Chen Yuguo (陳餘國) and Mr. Chen Lingfeng (陳淩峰), and (iii) between Mr. Chen Yucao (陳餘曹) and Mr. Chen Nansun (陳南蓀), pursuant to which (i) Mr. Chen Yuguo agreed to transfer 18% of equity interest in JH Holdings Group to Mr. Chen Shu by gift; (ii) Mr. Chen Yuguo agreed to transfer 18% of equity interest in JH Holdings Group to Mr. Chen Lingfeng by gift; and (iii) Mr. Chen Yucao agreed to transfer 5% of equity interest in JH Holdings Group to Mr. Chen Nansun by gift. Mr. Chen Shu and Mr. Chen Lingfeng are sons of Mr. Chen Yuguo, and Mr. Chen Nansun is the son of Mr. Chen Yucao. Upon completion of such equity transfers on June 1, 2017, the shareholding structure of JH Holdings Group was as set forth below:

Shareholder	Registered share capital	Percentage of the shareholding
	(RMB)	*(%)*
Mr. Chen Yuguo (陳餘國)	15,750,000	31.50
Mr. Chen Shu (陳澍)	9,000,000	18.00
Mr. Chen Lingfeng (陳淩峰)	9,000,000	18.00
Mr. Chen Yuchun (陳餘春)	5,000,000	10.00
Mr. Chen Yutian (陳餘鈿)	5,000,000	10.00
Mr. Chen Yucao (陳餘曹)	3,750,000	7.50
Mr. Chen Nansun (陳南蓀)	2,500,000	5.00
Total:	***50,000,000***	***100.00***

On July 28, 2017, Mr. Chen Yutian (陳餘鈿) and Ms. Zhang Xuli (張旭麗), wife of Mr. Chen Yutian, entered into a gift agreement pursuant to which Mr. Chen Yutian agreed to transfer 10% of equity interest in JH Holdings Group to Ms. Zhang Xuli by gift. Upon completion of such equity transfer on July 28, 2017 and as of the Latest Practicable Date, the shareholding structure of JH Holdings Group was as set forth below:

Shareholder	Registered share capital	Percentage of the shareholding
	(RMB)	*(%)*
Mr. Chen Yuguo (陳餘國)	15,750,000	31.50
Mr. Chen Shu (陳澍)	9,000,000	18.00
Mr. Chen Lingfeng (陳淩峰)	9,000,000	18.00
Mr. Chen Yuchun (陳餘春)	5,000,000	10.00
Ms. Zhang Xuli (張旭麗)	5,000,000	10.00
Mr. Chen Yucao (陳餘曹)	3,750,000	7.50
Mr. Chen Nansun (陳南蓀)	2,500,000	5.00
Total:	***50,000,000***	***100.00***

5. Wenzhou Jiaren

Wenzhou Jiaren is a limited liability company established under the laws of the PRC on December 5, 2007 with a registered capital of RMB20 million and was owned as to 60% to JH Holdings Group, 25% to Mr. Zhao Xiaojun (趙曉俊) and 15% to Ms. Zhao Xiaoyan (趙曉燕). Both Mr. Zhao Xiaojun (趙曉俊) and Ms. Zhao Xiaoyan (趙曉燕) are connected persons of our Company. The scope of business of Wenzhou Jiaren is investment in education industry.

On April 12, 2018, the 25% equity interest in Wenzhou Jiaren held by Mr. Zhao Xiaojun (趙曉俊) and the 15% equity interest in Wenzhou Jiaren held by Ms. Zhao Xiaoyan (趙曉燕) were transferred to JH Holdings Group pursuant to the equity transfer agreements entered into between JH Holdings Group and Mr. Zhao Xiaojun (趙曉俊) and Ms. Zhao Xiaoyan (趙曉燕), separately, at a consideration of RMB5 million and RMB3 million, respectively. Such considerations were fully settled by JH Holdings Group with Mr. Zhao Xiaojun (趙曉俊) and Ms. Zhao Xiaoyan (趙曉燕) on May 16, 2018 and May 7, 2018, respectively. Upon completion of such equity transfer on April 18, 2018 and as of the Latest Practicable Date, Wenzhou Jiaren is wholly-owned by JH Holdings Group and not carrying out any business activities. It is intended that Wenzhou Jiaren will act as the school sponsor of schools to be newly established or acquired by us in the future.

6. Yueqing JH Investment

Yueqing JH Investment, formerly known as Yueqing Jiahong Logistics Service Company Limited* (樂清嘉宏後勤服務有限公司), is a limited liability company established under the laws of the PRC on May 26, 2017 with a registered capital of RMB1 million and was wholly-owned by JH Holdings Group. The scope of business of Yueqing JH Investment is investment in education industry.

On June 20, 2017, the registered capital of Yueqing JH Investment was increased from RMB1 million to RMB9 million pursuant to a shareholder's resolution. Such increased capital was wholly subscribed by JH Holdings Group. Upon completion of such capital increase and as of the Latest Practicable Date, Yueqing JH Investment is wholly-owned by JH Holdings Group and not carrying out any business activities. It is intended that Yueqing JH Investment will act as the school sponsor of schools to be newly established or acquired by us in the future.

7. Yueqing Jiasheng

Yueqing Jiasheng, formerly known as Yueqing Jiahong Education Technology Company Limited* (樂清嘉宏教育科技有限公司), is a limited liability company established under the laws of the PRC on May 26, 2017 with a registered capital of RMB1 million. Upon its establishment, Yueqing Jiasheng is wholly-owned by JH Holdings Group. The scope of business of Yueqing Jiasheng is investment in education industry.

On June 11, 2018, the registered capital of Yueqing Jiasheng was increased from RMB1 million to RMB5 million pursuant to a shareholder's resolution. Such increased capital was wholly subscribed by JH Holdings Group. Upon completion of such capital increase and as of the Latest Practicable Date, Yueqing Jiasheng is wholly-owned by JH Holdings Group and not carrying out any business activities. It is intended that Yueqing Jiasheng will act as the school sponsor of schools to be newly established or acquired by us in the future.

8. Yueqing Jialuo

Yueqing Jialuo, formerly known as Yueqing Jialuo Logistics Service Company Limited* (樂清嘉洛後勤服務有限公司), is a limited liability company established under the laws of the PRC on May 26, 2017 with a registered capital of RMB1 million. Upon its establishment, Yueqing Jialuo was wholly-owned by JH Holdings Group. The scope of business of Yueqing Jialuo is investment in education industry.

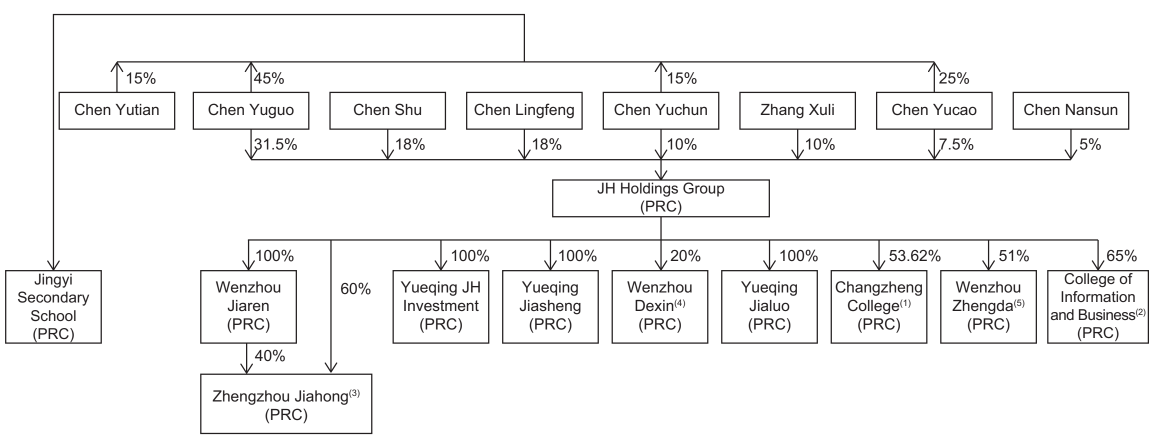
On June 11, 2018, the registered capital of Yueqing Jialuo was increased from RMB1 million to RMB5 million pursuant to a shareholder's resolution. Such increased capital was wholly subscribed by JH Holdings Group. Upon completion of such capital increase and as of the Latest Practicable Date, Yueqing Jialuo is wholly-owned by JH Holdings Group and not carrying out any business activities. It is intended that Yueqing Jialuo will act as the school sponsor of schools to be newly established or acquired by us in the future.

9. Yueqing Jiazheng

Yueqing Jiazheng is a limited liability company established under the laws of the PRC on July 2, 2018 with a registered capital of RMB12 million. The scope of business of Yueqing Jiazheng is investment in education industry. As of the Latest Practicable Date, Yueqing Jiazheng was wholly-owned by JH Holdings Group and not carrying out any business activities. It is intended that Yueqing Jiazheng will act as the school sponsor of schools to be newly established or acquired by us in the future.

CORPORATE REORGANIZATION

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



Notes:

(1) The 46.38% of the school capital contributor's interest in Changzheng College is held by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), whose school sponsor was Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會).

(2) The 35% of the school capital contributor's interest in College of Information and Business is held by Zhongyuan University of Technology* (中原工學院).

(3) Zhengzhou Jiahong Logistics Service Co., Ltd. was disposed of during the process of Corporate Reorganization. See "– Corporate Reorganization – 4. Disposal of non-core business" in this section for details.

(4) Wenzhou Dexin Electric Appliance Co., Ltd.* (温州德信電器有限公司) was disposed of during the process of Corporate Reorganization. See "– Corporate Reorganization – 4. Disposal of non-core business" in this section for details.

(5) Wenzhou Zhengda Rectifier Co., Ltd.* (温州正大整流器有限公司) was disposed of during the process of Corporate Reorganization. See "– Corporate Reorganization – 4. Disposal of non-core business" in this section for details.

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

1. Incorporation of the Offshore Group Companies

Incorporation of Our Company

Our Company was incorporated in the Cayman Islands on June 23, 2017 with an authorized share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. At the time of incorporation, the issued share capital of our Company was US$1.00, with one Share of US$1.00 and held by Sertus Nominees (Cayman) Limited, an Independent Third Party. On the same date, the said one Share was transferred to Cao's Investment Holdings Limited for a consideration at par value. On the same date, our Company issued and allotted a total of 9,999 Shares to the following companies for a consideration at par value:

Shareholder	Shares Issued
Guo's Investment Holdings Limited	3,150
Shu's Investment Holdings Limited	1,800
Feng's Investment Holdings Limited	1,800
Chun's Investment Holdings Limited	1,000
ZXL Investment Holdings Limited	1,000
Cao's Investment Holdings Limited	749
CNS Investment Holdings Limited	500
Total	***9,999***

Following such share transfer and subscription and as of the Latest Practicable Date, the shareholding of our Company was as set forth below:

Shareholder	Number of Shares	Percentage of the shareholding
Guo's Investment Holdings Limited	3,150	31.50%
Shu's Investment Holdings Limited	1,800	18.00%
Feng's Investment Holdings Limited	1,800	18.00%
Chun's Investment Holdings Limited	1,000	10.00%
ZXL Investment Holdings Limited	1,000	10.00%
Cao's Investment Holdings Limited	750	7.50%
CNS Investment Holdings Limited	500	5.00%
Total:	***10,000***	***100.00%***

Incorporation of JH HK

JH HK was incorporated as a limited liability company under the laws of Hong Kong on July 19, 2017 with an issued share capital of HK$10,000 divided into 10,000 shares and is wholly-owned by our Company.

Incorporation of JH BVI

JH BVI was incorporated as a limited liability company under the laws of BVI on June 8, 2018 with an issued share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each and wholly-owned by our Company.

Share Transfer of JH HK from our Company to JH BVI

On June 22, 2018, 10,000 shares in JH HK was transferred from our Company to JH BVI at the nominal consideration of HK$10,000 pursuant to an instrument of transfer entered into between our Company and JH BVI. Upon completion of such share transfer and as of the Latest Practicable Date, JH HK was directly wholly-owned by JH BVI.

2. Establishment of the WFOEs

Ningbo Jiaxin, or WFOE 1, was established in the PRC on January 10, 2018 as a wholly foreign-owned enterprise with a registered capital of US$2 million and was wholly-owned by JH HK. Ningbo Jiaxin is principally engaged in the provision of technical and management consultancy services to JH Holdings Group and its subsidiaries and College of Information and Business.

Ningbo Xinyao, or WFOE 2, was established in the PRC on September 14, 2018 as a wholly foreign-owned enterprise with registered capital of US$2 million and was wholly-owned by JH HK. Ningbo Xinyao is principally engaged in the provision of technical and management consultancy services to Jingyi Secondary School.

3. Establishment of Yueqing Jiazheng

Yueqing Jiazheng was established in the PRC on July 2, 2018 with a registered capital of RMB12 million and was wholly-owned by JH Holdings Group. As of the Latest Practicable Date, Yueqing Jiazheng has not carried out any business activities.

4. Disposal of Non-core Business

With a view to optimizing our group structure and focusing on our core competencies in our principal businesses, on April 9, 2018, an equity transfer agreement was entered into between Mr. Zhao Zhangxing (趙章興), a connected person, and JH Holdings Group, pursuant to which the 20% equity interest in Wenzhou Dexin Electric Appliance Co., Ltd.* (溫州德信電器有限公司) was transferred from JH Holdings Group to Mr. Zhao at a consideration of RMB0.6 million. Such consideration was determined after arm's length negotiations and was settled on April 23, 2018.

On April 9, 2018, an equity transfer agreement was entered into between Mr. Xu Jinlong (徐金龍), an Independent Third Party, and JH Holdings Group pursuant to which the 51% equity interest in Wenzhou Zhengda Rectifier Co., Ltd.* (溫州正大整流器有限公司) was transferred from JH Holdings Group to Mr. Xu at a consideration of RMB1.02 million. Such consideration was determined after arm's length negotiations and was settled on April 26, 2018.

On July 25, 2018, an equity transfer agreement was entered into between Mr. Zhao Xiaojin (趙曉金), a connected person, and JH Holdings Group pursuant to which the 60% equity interest in Zhengzhou Jiahong Logistics Service Co., Ltd.* (鄭州嘉宏後勤服務有限公司) was transferred from JH Holdings Group to Mr. Zhao at a consideration of RMB12 million. The consideration was determined after arm's length negotiations and was considered as fully settled as Mr. Zhao assumed an equivalent amount of liabilities from JH Holdings Group, being RMB12 million.

On July 25, 2018, an equity transfer agreement was entered into between Mr. Wu Daofeng (吳道豐), an Independent Third Party, and Wenzhou Jiaren pursuant to which the 40% equity interest in Zhengzhou Jiahong Logistics Service Co., Ltd.* (鄭州嘉宏後勤服務有限公司) was transferred from Wenzhou Jiaren to Mr. Wu at a consideration of RMB8 million. The consideration was determined after arm's length negotiations and was considered as fully settled as Mr. Wu assumed an equivalent amount of liabilities from Wenzhou Jiaren, being RMB8 million.

5. Establishment of Jiaxin Training

Jiaxin Training was established in the PRC on November 7, 2018 with a registered capital of RMB500,000 and was wholly-owned by WFOE 1. As of the Latest Practicable Date, Jiaxin Training has not carried out any business activities.

6. Entering into the Structured Contracts to Control Our PRC Consolidated Affiliated Entities by the WFOEs

On November 7, 2018, Ningbo Jiaxin entered into the Structured Contracts I with JH Holdings Group, its subsidiaries, and the Shareholders of JH Holdings Group, including but not limited to the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Shareholders' Rights Entrustment Agreement, the Shareholder's Powers of Attorney, the Exclusive Call Option Agreement, the Equity Pledge Agreement and the Loan Agreement. On the same date, Ningbo Jiaxin entered into the Exclusive Technical Service and Management Consultancy Agreement with College of Information and Business.

On November 7, 2018, Ningbo Xinyao entered into the Structured Contracts II with Jingyi Secondary School and the School Sponsors of Jingyi Secondary School, including but not limited to the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Director's Powers of Attorney, the Exclusive Call Option Agreement, the Accounts Receivable Pledge Agreement and the Loan Agreement.

7. Subdivision of Shares

Prior to the Listing, each share of a par value of US$1.00 in the authorized share capital of our Company will be subdivided into 100 shares of a par value of US$0.01 each, such that following such share subdivision, the authorized share capital of our Company will be US$50,000 divided into 5,000,000 Shares of US$0.01 each.

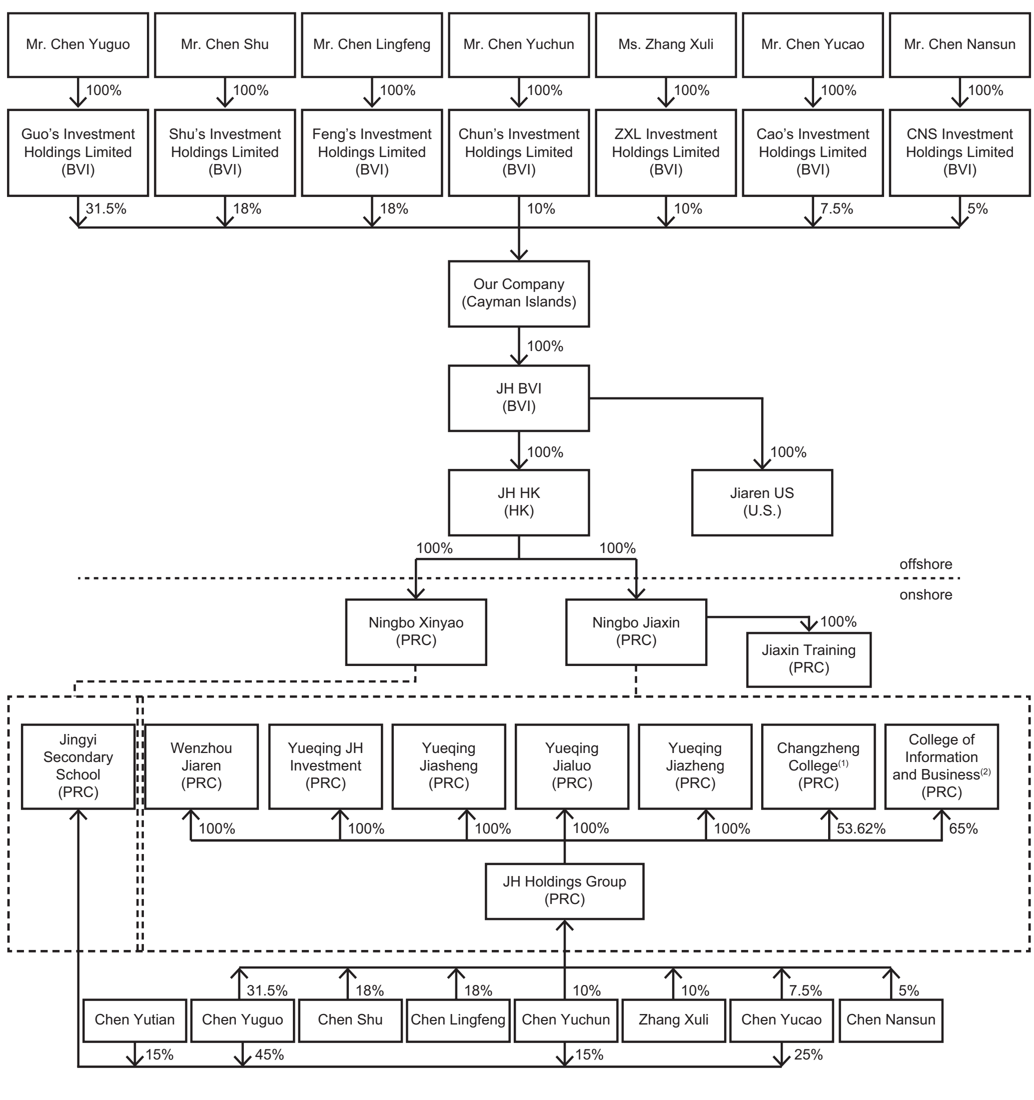
COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisors confirmed that the establishment of our PRC Consolidated Affiliated Entities and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

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

GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately after Corporate Reorganization and immediately prior to the Listing:



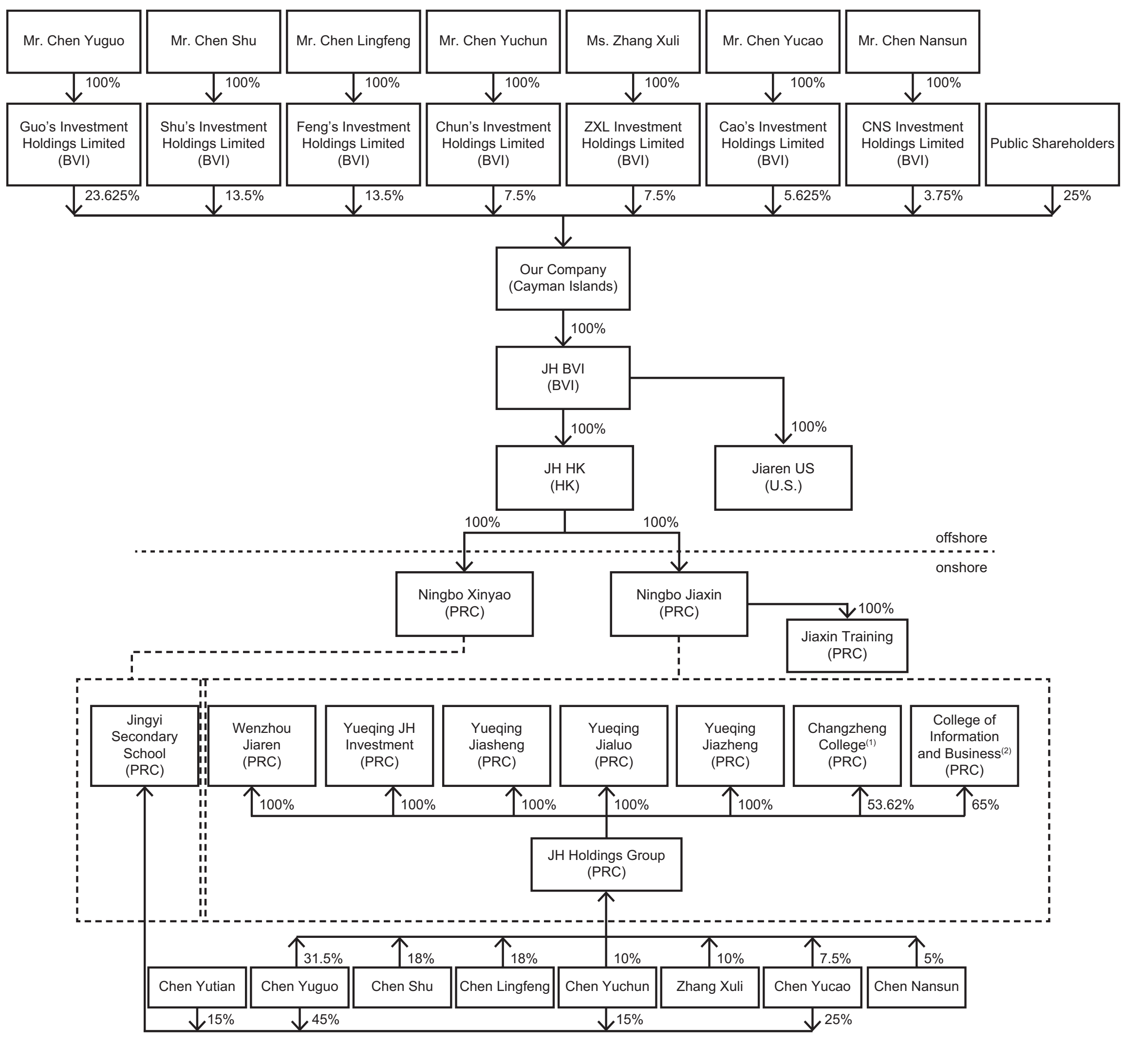
Notes:

(1) The 46.38% of the school capital contributor's interest in Changzheng College is held by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), whose school sponsor is Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會).

(2) The 35% of the school capital contributor's interest in College of Information and Business is held by Zhongyuan University of Technology* (中原工學院).

GROUP STRUCTURE UPON THE LISTING

The following chart sets forth our corporate structure upon the Listing, assuming the Over-allotment Option is not exercised:

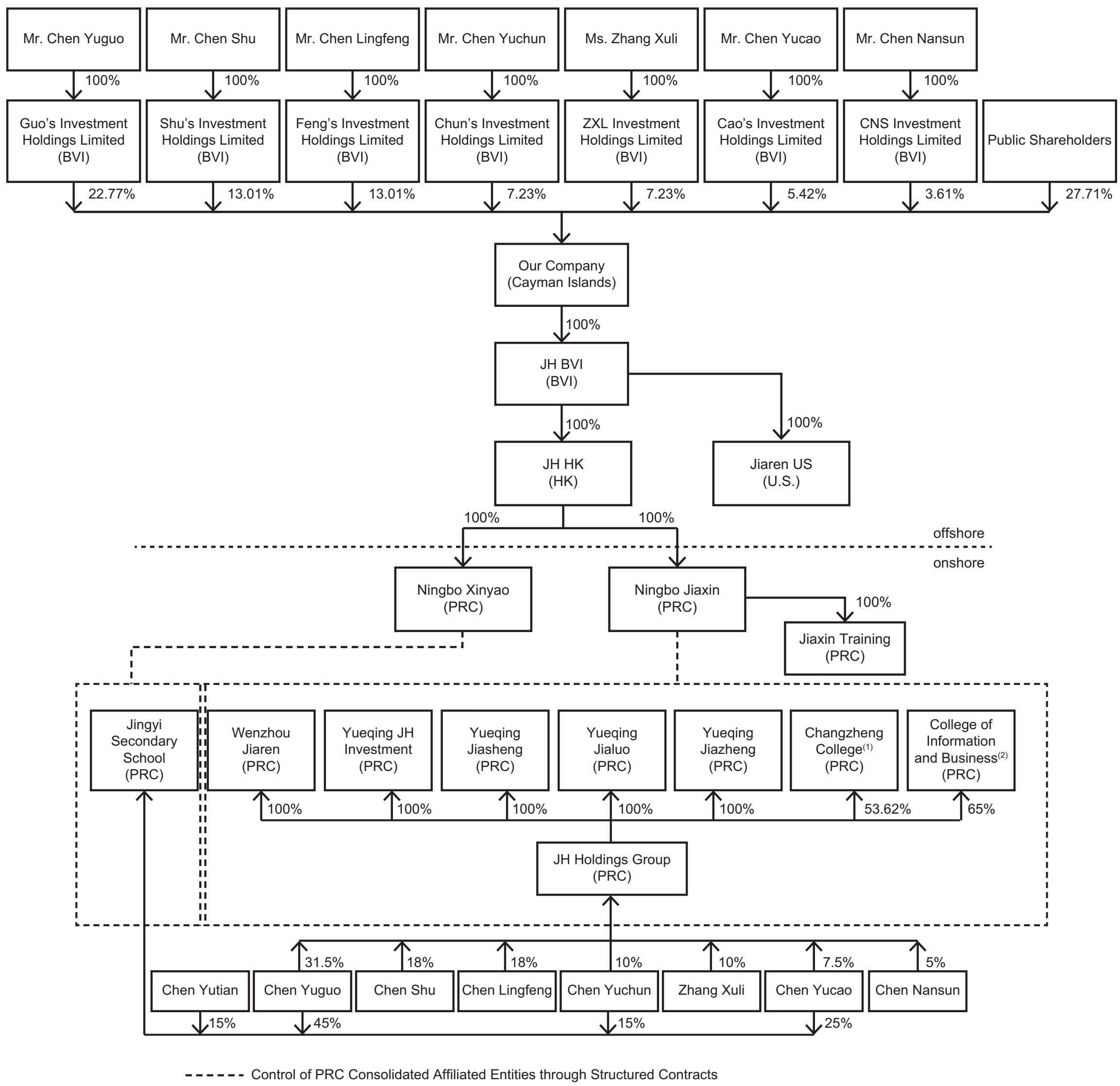


Notes:

(1) The 46.38% of the school capital contributor's interest in Changzheng College is held by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), whose school sponsor is Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會).

(2) The 35% of the school capital contributor's interest in College of Information and Business is held by Zhongyuan University of Technology* (中原工學院).

The following chart sets forth our corporate structure upon the Listing, assuming the Over-allotment Option is exercised in full:



Notes:

(1) The 46.38% of the school capital contributor's interest in Changzheng College was held by Hangzhou Changzheng Vocational School* (杭州長征業餘學校), whose school sponsor is Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會).

(2) The 35% of the school capital contributor's interest in College of Information and Business is held by Zhongyuan University of Technology* (中原工學院).

SCHOOL TO BE ESTABLISHED

New School in the United States

With a view to building our presence overseas and creating synergies with our schools in China, we plan to expand our network abroad by establishing a degree-granting higher education institution in the State of California to provide programs relating to business administration and international business. On August 27, 2018, we established Jiaren US in the U.S. as our entity to operate and manage the California School to be established. We have engaged an agent who has experience in post-secondary education to assist us in establishing California School in the State of California and filing applications with the BPPE regarding the establishment of a higher education institution, in California, the U.S. On September 24, 2018, we filed an application for a provisional license for the California School with the BPPE. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. We have expended approximately US$50,000 in connection with our establishment of the California School as of the Latest Practicable Date.

SAFE REGISTRATION

Pursuant to Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] 37) (the "SAFE Circular No. 37"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to the SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] 13) (the "SAFE Circular No. 13"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, Mr. Chen Yuguo and other PRC residents who are the shareholders of the Overseas SPVs in our Group have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on April 23, 2018.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of

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

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

BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our private higher education and high school education businesses through our PRC Operating Schools in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions and high school education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating Schools. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating Schools, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Structured Contracts for the existing PRC Operating Schools and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

Higher Education and High School Education

Pursuant to the Foreign Investment Catalog, the provision of higher education and high school education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly restricts higher education and high school education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education and high school education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives 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").

We had fully complied with the Foreign Control Restriction in respect of Changzheng College, College of Information and Business and Jingyi Secondary School on the basis that (a) the principals and the chief executive officers of the aforementioned schools are all PRC nationals; and (b) all the members of the board of directors are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Sino-foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》), if we were to apply for any of our schools to be reorganized as a Sino-foreign joint venture private school for PRC students at higher education or high school education institutions (a "Sino-foreign Joint Venture Private School"), the foreign investor in the Sino-foreign Joint Venture Private School must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement"). Our PRC Legal Advisors have advised, and as confirmed in the interviews with competent education authorities as mentioned below, that there are no implementation measures or specific guidance promulgated on the Qualification Requirement in accordance with the existing PRC laws, regulations or governmental documents but only general principles requiring school sponsor which applies for establishing a Sino-foreign joint venture school shall have relevant qualification and be able to provide high quality education services.

Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

With the assistance of our PRC Legal Advisors, we consulted (i) the Education Department of Henan Province (河南省教育廳) on August 31, 2018 and April 19, 2019, and (ii) the Education Department of Zhejiang Province (浙江省教育廳) on September 6, 2018 and April 24, 2019, being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-foreign Joint Venture Private Schools relevant to us. We were advised by the deputy director of International Cooperation and Exchanges Office (國際合作與交流處) at the Education Department of Henan Province that:

(i) each of the Foreign Ownership Restriction and the Qualification Requirement applies to Sino-foreign Joint Venture Private Schools;

(ii) no implementing measures or specific guidance were promulgated regarding the Qualification Requirement in Henan province;

(iii) no Sino-foreign joint-venture private undergraduate school has been approved in Henan province after the Sino-foreign Regulation became effective on September 1, 2003;

(iv) in terms of the policy and with a view to ensuring high quality of education and the order in the education industry, the relevant education authority confirmed that (a) approving the Sino-foreign joint venture schools has been difficult and rare and will remain so in the coming years, and even more difficult for approving Sino-foreign Joint Venture Private Schools, and (b) the relevant education authority will not approve the establishment of any Sino-foreign Joint Venture Private School in Henan province in the foreseeable future; and

(v) the execution of the Structured Contracts does not require approval from the Education Department of Henan Province.

We were also advised by the director of Foreign Affairs Office (外事處), the roles and responsibilities of which are currently assumed by the International Cooperation and Exchanges Office (國際合作與交流處) at the Education Department of Zhejiang Province, that:

(i) each of the Foreign Ownership Restriction and the Qualification Requirement applies to Sino-foreign Joint Venture Private Schools;

(ii) no implementing measures or specific guidance were promulgated regarding the Qualification Requirement in Zhejiang province;

(iii) except for Zhejiang Yuexiu University of Foreign Languages UIndy International College *(浙江越秀外國語學院印弟安納波里斯大學國際學院), no other Sino-foreign joint-venture private undergraduate school and college has been approved in Zhejiang province after the Sino-foreign Regulation became effective on September 1, 2003. Zhejiang Yuexiu University of Foreign Languages UIndy International College was approved by the Education Department of Zhejiang Province as: (a) the application was submitted in earlier years when the policy concern was not as much or as serious as that nowadays; and (b) being a foreign-language university, it has advantages on its majors;

(iv) as a result of increasing policy concerns including but not limited to concerns about education quality, the success rate and the Communist Party of China and ideological building of the Sino-foreign joint venture schools, the relevant education authority confirmed that (a) approving the Sino-foreign joint venture schools has been difficult and rare in recent years and will remain so in the coming years, and even more difficult for approving Sino-foreign joint venture private schools, and (b) the relevant education authority will not approve the establishment of any Sino-foreign Joint Venture Private School in Zhejiang province in the foreseeable future. The approval of Zhejiang Yuexiu University of Foreign Languages UIndy International College* (浙江越秀外國語學院印弟安納波里斯大學國際學院) in 2011 was an historical exception happened years ago; and

(v) the execution of the Structured Contracts does not require approval from the Education Department of Zhejiang Province.

Our PRC Legal Advisors are of the view that the aforesaid officers are competent to provide the confirmation on the basis that they have good and authoritative understanding of the PRC laws and regulations regarding Sino-foreign cooperative education and its actual implementation in Henan province or Zhejiang province, as the case may be.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we did not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement. 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 have undertaken to make periodic inquiries of relevant educational authorities to understand any regulatory developments, including whether there will be any change in policy for approving Sino-foreign Joint Venture Private Schools in Henan province and/or Zhejiang province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "— Background of the Structured Contracts — Circumstances in which we will unwind the Structured Contracts" and "— Background of the Structured Contracts — Plan to Comply with the Qualification Requirement" in this section of this prospectus for details.

As of the Latest Practicable Date, we did not encounter any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the financial results of our PRC Operating Schools, which engage in higher education or high school education service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Consolidated Affiliated Entities has been legally established and except for those disclosed under "— Legality of the Structured Contracts — PRC Legal Opinions" under this section and "Risk Factors — Risks relating to our Structured Contracts" of this prospectus, the Structured Contracts in relation to the operation of higher education or high school education are valid, legal and binding and do not contravene PRC laws and regulations. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, though no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

Circumstances in which We Will Unwind the Structured Contracts

Foreign investment in higher education or high school education in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and is subject to the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction, that a foreign investor can only hold less than 50% interest in a Sino-foreign Joint Venture Private School and not less than 50% of the governing body of the Sino-foreign Joint Venture Private School must be appointed by the Chinese investors.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, or (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, as permitted by the applicable PRC laws and regulations at the relevant time:

– in circumstance (a) and (b), our Company will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) because our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction remains, regardless of whether the Qualification Requirement is removed or met or whether the Foreign Control Restriction is removed, our Company will still rely on contractual arrangements to establish control over our PRC Consolidated Affiliated Entities. Our Company will acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then still have to control the domestic school sponsor of the relevant school by way of the Structured Contracts and the domestic school sponsor will in turn exercise its power to appoint the other members of the board of directors of the relevant schools and influence their exercise of voting powers;

– in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-foreign Joint Venture Private Schools, the Sino-foreign Regulation still dictates that there be a domestic interest in the school and we are ineligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then still have to control the domestic school sponsor of the relevant school by way of the Structured Contracts and the domestic school sponsor will in turn exercise its power to appoint the other members of the board of directors of the relevant schools and influence their exercise of voting powers. 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 the relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Structured Contracts; and

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

In addition, the WFOEs have also signed a written undertaking that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the call option in full to hold all of the interest in JH Holdings Group and its subsidiaries, and Jingyi Secondary School and unwind the contractual arrangements accordingly. See "— Termination of the Structured Contracts" in this section of this prospectus for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. As advised by our PRC Legal Advisors, there are only general principles that a school sponsor which applies for establishing a Sino-foreign joint venture school shall have relevant qualification and be able to provide high quality education services. In addition, as confirmed in the interviews with the relevant officials of the Education Department of Henan Province and the Education Department of Zhejiang Province, there are no implementation measures or specific guidance promulgated on the Qualification Requirement in accordance with the existing PRC laws and regulations and each application for establishment of a Sino-foreign joint venture school shall be dealt with on a case-by-case basis and taken into account of the recognition and reputation of foreign schools at the place where they are established. As (i) there are only general principals and no implementation measures or specific guidance promulgated on the Qualification Requirement, and (ii) the California School is to be established as a higher education institution in accordance with local regulations of the State of California, the U.S., and will provide higher education academic certificates recognized by the local government, our PRC Legal Advisors are of the view that based on their understanding of the general provisions of the existing PRC laws, we have taken reasonable and appropriate steps towards fulfilling the Qualification Requirement.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. On August 27, 2018, we formed a holding company of a new school in the United States, namely, Jiaren US. We have submitted a formal application to the BPPE through the non-accredited application process on September 24, 2018 to apply for the establishment of a new school i.e. California School. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. Jiaren US will be responsible for the daily operation and management of the California School to be established. As of the Latest Practicable Date, we are in the process of designing the educational programs to be offered by the California School. In addition, in preparation of and in connection with our application submitted to the BPPE for the approval to establish the California School in California, the United States, on September 6, 2018, Jiaren US entered into a lease agreement for the lease of a premises in California, the United States, to be used for office purposes and the monthly rent for the lease is US$800. The lease has a term on a month-to-month basis commencing from October 1, 2018 and either party may terminate the lease by giving one full calendar month written notice. As of the Latest Practicable Date, we have expended approximately US$50,000 in connection with the planned operation and development of the California School out of our self-owned working capital. We intend to further invest up to US$500,000, out of our self-owned working capital, for establishing and operating the California School for the two years ending December 31, 2021. We do not expect such investment will have any material adverse impact on our overall cost structure or financial results . See "Business — Our Business Strategies — Expand our business operations and school network to achieve economies of scale" in this prospectus for further details of our expected number of student enrollments, investment amount, investment plan, payback period and breakeven period of the California School. We have also nominated Mr. Liu Dengyi (劉登義) and Ms. Wei Lin (魏琳) to oversee the administration of California School. Mr. Liu Dengyi has around 34 years of experience in education industry and served as the vice principal of College of Information and Business. Ms. Wei Lin obtained a bachelor's degree majoring in English and is currently assisting in matters relating to international cooperation and exchange of College of Information and Business. With the assistance of the consultant, we plan to recruit qualified principals, teachers and other administrative staff in the United States for the daily operation and management of the California School. For details of the regulatory environment in California, the United States, for the operation of a private postsecondary school, see "Regulatory Overview — Regulations on Private Postsecondary Education in the State of California" in this prospectus.

In the opinion of our PRC Legal Advisors, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by Jiaren US, i.e. the California School or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-foreign Joint Venture Private Schools), we will be able to operate our schools in the PRC directly through the new school operated by Jiaren US, i.e. the California School or such other educational institution subject to the approval from the competent education authorities. Our PRC Legal Advisors are of the opinion that an educational institution which offers diploma certificates at the university level in a foreign jurisdiction, i.e. the California School to be operated by Jiaren US or such other foreign educational institution established by our Group that acts as the foreign investor for the establishment of a Sino-foreign joint venture private school for formal higher education is in compliance with the general requirements of the existing PRC laws.

Furthermore, we will:

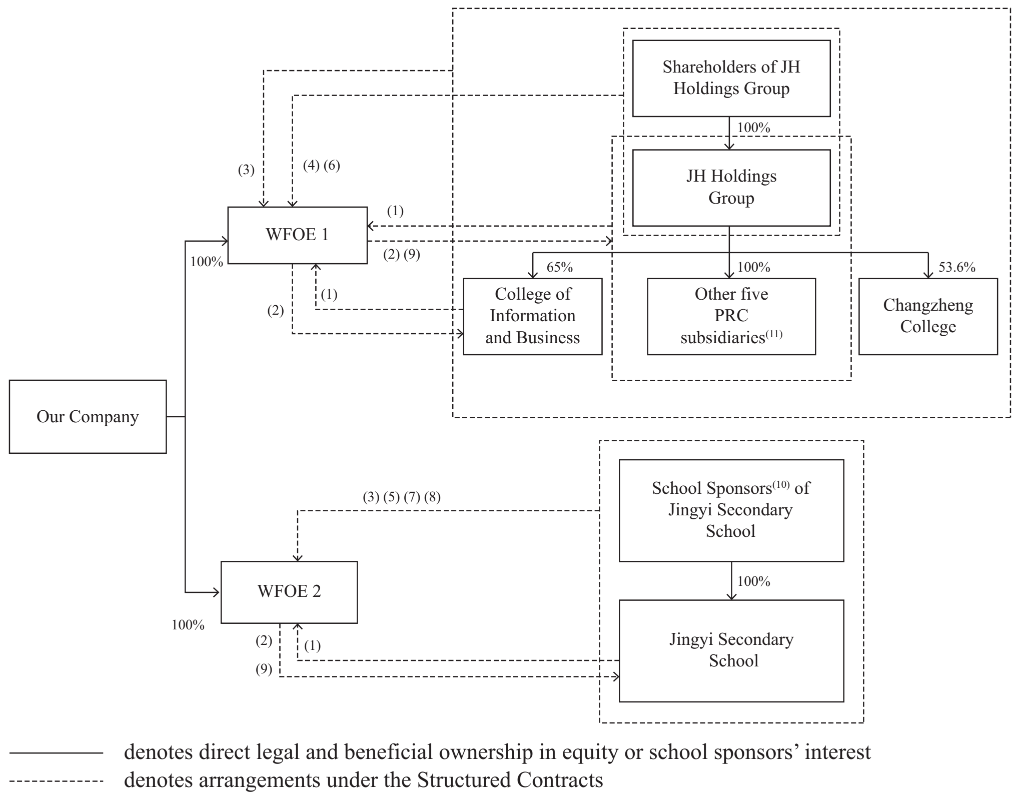
(i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

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

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on November 7, 2018, our wholly-owned subsidiaries, the WFOEs, entered into various agreements that constitute the Structured Contracts with, among others, JH Holdings Group and its subsidiaries, College of Information and Business and Jingyi Secondary School, under which all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to the WFOEs to the extent permitted under the PRC laws and regulations by means of service fees payable by JH Holdings Group and its subsidiaries, College of Information and Business and Jingyi Secondary School to the WFOEs. The Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School are parties to certain agreements which constitute the Structured Contracts to ensure that the Structured Contracts are duly performed for the interests of the WFOEs.

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



Notes:

(1) Payment of service fees. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service and Management Consultancy Agreements" in this prospectus.

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

(3) Exclusive call option to acquire all or part of the equity interest in JH Holdings Group and its subsidiaries, and school sponsor's interest in Jingyi Secondary School. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreements" in this prospectus.

(4) Pledge of equity interest by the Shareholders of JH Holdings Group of their equity interest in JH Holdings Group. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Equity Pledge Agreement" in this prospectus.

(5) Pledge of accounts receivable by the School Sponsors of Jingyi Secondary School of their interests over all of the proceeds receivable from third parties due to transfer or other forms of disposal of all or part of their respective sponsor's interest in Jingyi Secondary School. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (5) Accounts Receivable Pledge Agreement" in this prospectus.

(6) Entrustment of shareholders' rights by the Shareholders of JH Holdings Group including the Shareholder's Powers of Attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) Shareholder's Powers of Attorney" in this prospectus.

(7) Entrustment of school sponsors' rights by the School Sponsors of Jingyi Secondary School including the School Sponsor's Powers of Attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (9) School Sponsor's Powers of Attorney" in this prospectus.

(8) Entrustment of directors' rights in Jingyi Secondary School by the directors of Jingyi Secondary School including the Director's Powers of Attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (10) Director's Powers of Attorney" in this prospectus.

(9) Provision of loans by the WFOEs to JH Holdings Group and the School Sponsors of Jingyi Secondary School. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (11) Loan Agreements" in this prospectus.

(10) According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders." See "Regulatory Overview" in this prospectus.

(11) The other five PRC subsidiaries consist of Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng. The scope of business of each of the other five PRC subsidiaries is investment in education industry. None of the other five PRC subsidiaries was engaged in any business activities during the Track Record Period. Such five PRC subsidiaries were established by our Group due to the following reasons: (i) according to the Interim Provisions on the Administration of the Registration of Enterprise Group (《企業集團登記管理暫行規定》), an enterprise group shall consist of at least five subsidiaries; and (ii) we intend to hold, directly or indirectly, the school sponsor's interest of schools to be newly established or acquired by us in the future through such other five PRC subsidiaries and, as provision of higher education by schools falls into the "restricted" category of the Foreign Investment Catalog, we shall adopt the Structured Contracts to hold equity interests in such other five PRC subsidiaries. As of the Latest Practicable Date, no specific plan was adopted by our Group to acquire or establish new schools for any of the five PRC subsidiaries. Our Company undertakes to the Stock Exchange that each of the other five PRC subsidiaries will be directly held by our Group in the event that they do not engage in the business with foreign ownership restriction in the future.

Under the Structured Contracts, (1) JH Holdings Group and its subsidiaries entered into the Exclusive Technical Service and Management Consultancy Agreement and Loan Agreement with the WFOE 1; (2) Jingyi Secondary School entered into the Exclusive Technical Service and Management Consultancy Agreement and Loan Agreement with the WFOE 2; (3) College of Information and Business entered into the Exclusive Technical Service and Management Consultancy Agreement with the WFOE 1, pursuant to which each of JH Holdings Group and its subsidiaries, Jingyi Secondary School, and College of Information and Business will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by (1) the WFOE 1 to any of JH Holdings Group and its subsidiaries, (2) the WFOE 2 to Jingyi Secondary School, and (3) the WFOE 1 to College of Information and Business, the respective service fee will be paid directly by JH Holdings Group and its subsidiaries, Jingyi Secondary School and College of Information and Business to the WFOE 1, the WFOE 2 and the WFOE 1, respectively. In addition, in order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, JH Holdings Group and its subsidiaries and Jingyi

Secondary School have undertaken that, without the prior written consent of the WFOEs or their designated party, JH Holdings Group and its subsidiaries and Jingyi Secondary School shall not, among others, distribute dividends or other payments to the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School (as the case may be). For further details, see "— Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreements" in this section.

Summary of the Material Terms of the Structured Contracts

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

(1) Business Cooperation Agreements

Pursuant to the Business Cooperation Agreements, (i) the WFOE 1 shall provide technical services, management support and consulting services necessary for the private education business, and in return, JH Holdings Group and its subsidiaries shall make payments accordingly; and (ii) the WFOE 2 shall provide technical services, management support and consulting services necessary for the private education business, and in return, Jingyi Secondary School shall make payments accordingly.

To ensure the due performance of the Structured Contracts I and Structured Contracts II respectively, each of JH Holdings Group and its subsidiaries and Jingyi Secondary School agreed to comply with, and procure any of its subsidiaries to comply with, the obligations as prescribed under the Business Cooperation Agreements set forth as follows:

(a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of JH Holdings Group and its subsidiaries, College of Information Business, Changzheng College, and Jingyi Secondary School and the quality and standard of private education;

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

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

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

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

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

(g) to carry out its business operations and renew and maintain its respective necessary licenses.

In addition, pursuant to the Business Cooperation Agreements, each of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School undertakes to the WFOE 1 and the WFOE 2, respectively, that:

(a) in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in JH Holdings Group and/or school sponsor's interest in Jingyi Secondary School, he/she shall have made all necessary arrangement and sign all necessary documents such that his/her respective successor, guardian, spouse, and any other person, who may as a result of the above events obtain such equity interest, school sponsor's interest and/or relevant rights, shall not prejudice or hinder the enforcement of the Structured Contracts;

(b) in the event of the dissolution or liquidation of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, (i) the WFOEs shall have the right to exercise all the shareholders' rights in JH Holdings Group and its subsidiaries and/or all the school sponsors' rights on behalf of the relevant school sponsors in Jingyi Secondary School; (ii) the School Sponsors of Jingyi Secondary School and the Shareholders of JH Holdings Group shall transfer all assets received or receivable in their respective capacity as school sponsors of Jingyi Secondary School or Shareholders of JH Holdings Group and its subsidiaries as a result of the dissolution or liquidation of Jingyi Secondary School and/or JH Holdings Group and its subsidiaries to the WFOEs or other persons designated by us at nil consideration, and instruct all of Jingyi Secondary School and/or JH Holdings Group and its subsidiaries to transfer such assets directly to the WFOEs before such dissolution or liquidation; (iii) if consideration is required for such transfer under the then applicable PRC laws, the School Sponsors of Jingyi Secondary School and the Shareholders of JH Holdings Group shall compensate the WFOEs or the person as designated by us the amount and guarantee that the WFOEs or other persons as designated by us does not suffer any loss; and

(c) without the prior written consent of the WFOEs, JH Holdings Group and its subsidiaries and/or Jingyi Secondary School shall not declare or pay to the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School any reasonable return or other interest or benefit. In the event that the School Sponsors of Jingyi Secondary School or the Shareholders of JH Holdings Group receive any reasonable return or other interest or benefit, the School Sponsors of Jingyi Secondary School or the Shareholders of JH Holdings Group shall unconditionally and without compensation transfer such amount to the WFOEs.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries and

Jingyi Secondary School have undertaken that, without the prior written consent of the WFOEs or its designated party, they shall not conduct or cause to conduct any activity or transaction which may have any actual impact on: (i) the assets, business, staff, obligations, rights or operations of JH Holdings Group and its subsidiaries or Jingyi Secondary School; and (ii) the ability of the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries or Jingyi Secondary School to perform the obligations under the Structured Contracts. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by JH Holdings Group and its subsidiaries or Jingyi Secondary School;

(b) conduct of any activity by any of JH Holdings Group and its subsidiaries or Jingyi Secondary School or its subsidiaries which are outside the ordinary course of business or change of the mode of operations of JH Holdings Group and its subsidiaries or Jingyi Secondary School;

(c) consolidation, subdivision, change of form of corporate and/or school organization, dissolution or liquidation of JH Holdings Group and its subsidiaries or Jingyi Secondary School;

(d) providing any borrowing or loan by the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School to JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities, or succession or acceptance of any debts, or providing any guarantee;

(e) obtaining any borrowing and loan, incurring any indebtedness or providing any guarantee in respect of any debt by any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities to any third party, except in their respective ordinary course of business and provided that the amount of such debt is less than RMB500,000;

(f) change or removal of any director, supervisor or senior management of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities to any third party other than the WFOEs or their respective designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB500,000;

(h) sale of any equity interest or school sponsor rights in any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities to any third party other than the WFOEs or their respective designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities;

(i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities to third parties other than to the WFOEs or their respective designated party;

(j) altering, amending or revoking any permits of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities;

(k) amending the articles of association or scope of business of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities;

(l) change of any normal business procedures or amendment of any internal procedures and system of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities;

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

(n) distribution of dividend, reasonable return or other payments to the shareholder of any JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities or their ability to make any payment to the WFOEs;

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Structured Contracts; and

(q) transfer of his/her/its rights and obligations under the Structured Contracts to any third party other than the WFOEs or their respective designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Structured Contracts with any third party by the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities.

Furthermore, each of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School undertakes to the WFOEs that, unless with the prior written consent of the WFOEs, they (severally or jointly) shall not

(i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of JH Holdings Group and its subsidiaries or Jingyi Secondary School and their/its affiliated entities ("Competing Business"), (ii) use information obtained for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the School Sponsors of Jingyi Secondary School and the Shareholders of JH Holdings Group further consents and agrees that, in the event that they (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, the WFOEs and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to (i) enter into an arrangement similar to that of the Structured Contracts; or (ii) stop engaging in such Competing Business.

(2) Exclusive Technical Service and Management Consultancy Agreements

Pursuant to the Exclusive Technical Service and Management Consultancy Agreements entered into (i) by and among the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng, (ii) between WFOE 2 and Jingyi Secondary School, and (iii) between the WFOE 1 and College of Information and Business, each of the WFOE 1, the WFOE 2 and the WFOE 1 has agreed to provide exclusive technical services to JH Holdings Group and its subsidiaries, Jingyi Secondary School and College of Information and Business, respectively, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites; (c) design, development, update and maintenance of management information systems; (d) provision of other technical support; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services as reasonably requested by JH Holdings Group and its subsidiaries, Jingyi Secondary School or College of Information and Business.

Furthermore, each of the WFOE 1 and the WFOE 2 agreed to provide exclusive management consultancy services to JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School (as the case may be), including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services as reasonably requested by JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School (as the case may be).

As at the Latest Practicable Date, the WFOE 1 and the WFOE 2 had over five and four personnel working in various departments of the WFOE 1 and the WFOE 2, respectively, including, among others, operation and development department, and financial department. We will transfer the relevant staff to continue providing such services to JH Holdings Group, its subsidiaries and College of Information and Business, and Jingyi Secondary School from time to time pursuant to the Exclusive Technical Service and Management Consultancy Agreements.

In consideration of the technical and management consultancy services to be provided by the WFOE 1 and the WFOE 2 (as the case may be), (i) JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng agreed to pay on an annual basis the relevant services fees to the WFOE 1 equal to all of their net profit (after deducting all necessary costs and expenses (the amount of which shall be proposed by them but subject to final confirmation and determination by the WFOE 1), taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law)); (ii) Jingyi Secondary School agreed to pay on an annual basis the relevant services fees to the WFOE 2 equal to all of its amount of surplus from operations (after deducting all necessary costs, expenses (the amount of which shall be proposed by it but subject to final confirmation and determination by the WFOE 2), taxes, losses from previous years (if required by the law), the legally compulsory development fund (if required by the law) and other fees required by the law); and (iii) College of Information and Business agreed to pay on an annual basis the relevant services fees to the WFOE 1 equal to all of its amount of surplus from operations (after deducting all necessary costs, expenses (the amount of which shall be proposed by it but subject to final confirmation and determination by JH Holdings Group), taxes, losses from previous years (if required by the law), the legally compulsory development fund (if required by the law) and other fees required by the law). The WFOE 1 and the WFOE 2 have the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School as the case may be, provided that any adjusted amount shall not exceed the amount mentioned above. JH Holdings Group, its subsidiaries and College of Information and Business, and Jingyi Secondary School do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreements, unless otherwise prescribed under the PRC laws and regulations, the WFOE 1 and the WFOE 2 shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by the WFOE 1 and the WFOE 2 to JH Holdings Group and its subsidiaries, College of Information and Business, and Jingyi Secondary School as the case may be, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreements and/or any other agreements entered into between the WFOE 1 or the WFOE 2 or other parties.

(3) Exclusive Call Option Agreements

Under the Exclusive Call Option Agreements entered into (i) by and among the WFOE 1, the Shareholders of JH Holdings Group, JH Holdings Group, Wenzhou

Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng, and (ii) by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School have, respectively, irrevocably granted the WFOEs or their designated purchaser the right to purchase all or part of equity interest in JH Holdings Group and its subsidiaries and the school sponsor's interest in Jingyi Secondary School, as the case may be ("Equity Call Option"). The purchase price payable by the WFOEs in respect of the transfer of such equity interest or school sponsor's interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. The WFOEs or their respective designated purchaser shall have the right to purchase such proportion of equity interest in JH Holdings Group and its subsidiaries or the school sponsor's interest in Jingyi Secondary School as they decide at any time.

In the event that PRC laws and regulations allow the WFOEs or us to directly hold all or part of the equity interest in JH Holdings Group and its subsidiaries or all or part of the school sponsor's interest in Jingyi Secondary School and operate private education business in the PRC, the WFOEs shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of equity interest and/or school sponsor's interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by the WFOEs or us under PRC laws and regulations.

The Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School have further undertaken to the WFOEs that without the prior written consent of the WFOEs, they:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its equity interest and/or school sponsors' interest in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as capital investment and/or school sponsor in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School;

(c) shall not agree to or procure any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to divide into or merge with other entities;

(d) shall not dispose of or procure the management of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to dispose of any of the assets of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB500,000;

(e) shall not terminate or procure the management of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB500,000, the Structured Contracts and any agreement of similar nature or content to the Structured Contracts) or enter into any other contracts which may contradict such material contracts;

(f) shall not procure any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, save for transactions which are in the ordinary course of business of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School with the amount involved not more than RMB500,000, or transactions which have been disclosed to the WFOEs and approved by the WFOEs;

(g) shall not agree to or procure any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to declare or in substance distribute any distributable reasonable return or agree to such distribution;

(h) shall not agree to or procure any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to amend its articles of association;

In addition, they:

(i) shall ensure that any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by JH Holdings Group and its subsidiaries and/or Jingyi Secondary School exceeds RMB500,000, obligations which restrict or hinder the due performance of obligations under the Structured Contracts by JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, obligations which restrict or prohibit the financial or business operations of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, or any obligations which may result in change of the structure of the equity interest and/or the school sponsor's interest in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School) outside its ordinary course of business without the prior written consent of the WFOEs;

(j) shall use its best endeavors to develop the business of any of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School and ensure compliance with laws and regulations by JH Holdings Group and its subsidiaries and/or Jingyi Secondary School, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of JH Holdings Group and its subsidiaries and/or Jingyi Secondary School;

(k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to the WFOEs or its designated purchaser and without prejudice to the School Sponsors' and Directors' Rights Entrustment Agreement and the Shareholders' Rights Entrustment Agreement, execute all documents necessary for holding and maintaining the ownership of its equity interest and/or school sponsor's interest in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School;

(l) shall sign all documents and take all necessary actions to facilitate transfer of its equity interest and/or school sponsor's interest in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School to the WFOEs or their respective designated purchaser;

(m) shall take all such actions to facilitate JH Holdings Group and its subsidiaries and/or Jingyi Secondary School in the performance of their obligations under the Exclusive Call Option Agreements if such performance requires any action be taken by the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School on their parts; and

(n) in the event that the consideration paid by the WFOEs or their respective designated purchaser for the transfer of all or part of the equity interest and/or school sponsor's interest in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School exceeds RMB0, shall pay such excess amount to the WFOEs or their respective designated entity.

As for the School Sponsors of Jingyi Secondary School, they have further undertaken to the WFOE 2 that, they shall, in their capacity as a school sponsor of Jingyi Secondary School and without prejudice to the Structured Contracts, procure the directors or council members nominated by them to exercise all rights to enable Jingyi Secondary School to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director or council member who fails to do so.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Shareholders of JH Holdings Group unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in JH Holdings Group together with all related rights thereto to the WFOE 1 and the WFOE 2 as security for performance of the Structured Contracts I and Structured Contracts II and all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOE 1 and the WFOE 2 as a result of any event of default on the part of JH Holdings Group and its subsidiaries or the Shareholders of JH Holdings Group and all expenses incurred by the WFOE 1 and the WFOE 2 as a result of enforcement of the obligations of the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries, Jingyi Secondary School and the School Sponsors of Jingyi Secondary School under the Structured Contracts I (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreement, without the prior written consent of the WFOE 1 and the WFOE 2, the Shareholders of JH Holdings Group shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by the WFOE 1 and the WFOE 2. The Shareholders of JH Holdings Group also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

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

(a) any of the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries, Jingyi Secondary School or the School Sponsors of Jingyi Secondary School commits any breach of any obligations under the Structured Contracts;

(b) any representations or warranties or information provided by any of the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries, Jingyi Secondary School or the School Sponsors of Jingyi Secondary School under the Structured Contracts is proved incorrect or misleading; or

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

Upon the occurrence of an event of default as described above, the WFOE 1 and the WFOE 2 shall have the right to enforce the Equity Pledge Agreement by written notice to the Shareholders of JH Holdings Group in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, the WFOE 1 and the WFOE 2 may request the Shareholders of JH Holdings Group to transfer all or part of his or her equity interest in JH Holdings Group to any entity or individual designated by the WFOE 1 and the WFOE 2 at the lowest consideration permissible under the PRC laws and regulations;

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

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

The pledges under the Equity Pledge Agreement will only become effective upon registration with the relevant Administration of Industry and Commerce of the PRC.

Under the Structured Contracts, there is no equity pledge arrangement between the WFOEs and the school sponsors of our PRC Operating Schools over the school sponsor's interest in our PRC Operating Schools. As advised by our PRC Legal Advisors, if we were to make an equity pledge arrangement with the School Sponsors of Jingyi Secondary School and/or JH Holdings Group where any of the School Sponsors of Jingyi Secondary School and/or JH Holdings Group pledges its school sponsor's interest in any of our PRC Operating Schools in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to the relevant school sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, we have implemented various measures which shall remain in place before the Structured Contracts being unwound, with the aim of further enhancing our control over JH Holdings Group and its subsidiaries, and Jingyi Secondary School, in particular:

(a) as disclosed above, pursuant to the Business Cooperation Agreement, the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries and Jingyi Secondary School have undertaken that, without prior written consent of the WFOEs or their respective designated party, he/she/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact on: (i) the assets, business, staff, obligations, rights or operations of JH Holdings Group and its subsidiaries or Jingyi Secondary School; (ii) the ability of the School Sponsors of Jingyi Secondary School, the Shareholders of JH Holdings Group, JH Holdings Group and its subsidiaries or Jingyi Secondary School to perform the obligations under the Structured Contracts. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreements" in this prospectus; and

(b) as disclosed above, pursuant to the Exclusive Call Option Agreements, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School have further undertaken to the WFOEs that, among others, it shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its equity interest and/or school sponsors' interest in JH Holdings Group and its subsidiaries and/or Jingyi Secondary School without prior written consent of the WFOEs. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreements" in this prospectus.

(5) Accounts Receivable Pledge Agreement

Pursuant to the Accounts Receivable Pledge Agreement, each of the School Sponsors of Jingyi Secondary School unconditionally and irrevocably pledged and granted first priority security interests over all of the accounts receivable from third parties due to transfer or other forms of disposal of all or part of his/her sponsor interest in Jingyi Secondary School to the WFOE 2 as security for fulfilling contractual obligations and repaying secured debts.

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

(a) any of the School Sponsors of Jingyi Secondary School and Jingyi Secondary School commits any breach of any obligations under the Structured Contracts II;

(b) any representations or warranties or information provided by any of the School Sponsors of Jingyi Secondary School and Jingyi Secondary School under the Structured Contracts II is proved incorrect or misleading; or

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

Upon the occurrence of an event of default as described above, the WFOE 2 shall have the right to enforce the Accounts Receivable Pledge Agreement, by written notice to the School Sponsors of Jingyi Secondary School, to sell the pledged accounts receivable by way of auction and have priority in the entitlement to the sales proceeds.

The pledges under the Accounts Receivable Pledge Agreement will be legally set up over the account receivables only upon registration with the Credit Reference Center of the People's Bank of China (中國人民銀行徵信中心).

The School Sponsors of Jingyi Secondary School shall set up a bank account at a bank designated by the WFOE 2 (the "Designated Account") and serve a written notice of the Designated Account to the WFOE 2. The School Sponsors of Jingyi Secondary School shall not change, cancel or open any account to replace the Designated Account and shall not use the Designated Account except otherwise with the WFOE 2's prior consent. The WFOE 2 shall have the right to supervise the daily operation of the Designated Account. The School Sponsors of Jingyi Secondary School shall deposit all of his or her proceeds from the sale or transfer of sponsor interest (as the case may be) into the Designated Account.

(6) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Shareholders of JH Holdings Group has irrevocably authorized and entrusted the WFOE 1, the director of which is Mr. Zheng Yuelin (鄭岳林) (who is not a director of JH Holdings Group and therefore does not give rise to conflict of interest), as their agent to act on their behalf to exercise all of his/her respective rights as Shareholder of JH Holdings Group to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of JH Holdings Group; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meetings of JH Holdings Group; (c) the right to appoint directors or legal representative of JH Holdings Group; (d) the right to propose to convene interim shareholders' meetings of JH Holdings Group; (e) the right to sign all shareholders' resolutions and other legal documents which the Shareholders of JH Holdings Group have authority to sign in their respective capacity as Shareholder of JH Holdings Group; (f) the right to instruct the directors and legal representative of JH Holdings Group, as the case may be, to act in accordance with the instruction of the WFOE 1; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of JH Holdings Group; (h) the right to handle the legal procedures of registration, approval and licensing of JH Holdings Group, as the case may be, at the education department, the department of civil affairs or other government regulatory departments; (i) the right to decide to transfer or dispose of the equity interests of JH Holdings Group; and (j) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of JH Holdings Group as amended from time to time.

In addition, each of the Shareholders of JH Holdings Group has irrevocably agreed that (i) the WFOE 1 may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of the WFOE 1 or its designated person, without prior notice to or approval by the Shareholders of JH Holdings Group; and (ii) any person as successor of civil rights of the WFOE 1 and/or liquidator by reason of subdivision, merger, liquidation of the WFOE 1 or other circumstances shall have authority to replace the WFOE 1 to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(7) Shareholder's Powers of Attorney

Pursuant to the Shareholder's Powers of Attorney executed by each of the Shareholders of JH Holdings Group in favor of the WFOE 1, each of the Shareholders of JH Holdings Group authorized and appointed the WFOE 1, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as shareholders of the JH Holdings Group. For details of the rights granted, see "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" in this prospectus.

The WFOE 1 shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Shareholders of JH Holdings Group irrevocably agreed that the authorization appointment in the Shareholder's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Shareholder's Powers of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(8) School Sponsors' and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement entered into by and among the School Sponsors of Jingyi Secondary School, the school directors of Jingyi Secondary School, Jingyi Secondary School and the WFOE 2, the School Sponsors of Jingyi Secondary School irrevocably authorized and entrusted the WFOE 2 to exercise all his/her/its rights as the school sponsor of Jingyi Secondary School to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the school; (b) the right to appoint and/or elect supervisors of the school; (c) the right to understand the operation and financial situation of the school; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the school; (e) the right to transfer school sponsors' interest in accordance with the laws; (f) the right to make the choice to register as a for-profit private school or non-profit private school in accordance with Chinese laws, regulations or regulatory documents; and (g) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of the school as amended from time to time.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of the directors of Jingyi Secondary School (the "Appointees") has irrevocably authorized and entrusted the WFOE 2 to exercise all his/her rights as director of Jingyi Secondary School appointed by the School Sponsors of Jingyi Secondary School and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by the School Sponsors of Jingyi Secondary School; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of Jingyi Secondary School; (c) the right to propose to convene interim board meetings of Jingyi Secondary School; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by the School Sponsors of Jingyi Secondary School have authority to sign in his/her capacity as director of Jingyi Secondary School; (e) the right to instruct the legal representative and financial and business responsible persons of Jingyi Secondary School to act in accordance with the instruction of the WFOE 2; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of Jingyi Secondary School; (g) the right to handle the legal procedures of registration, approval and licensing of Jingyi Secondary School at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of Jingyi Secondary School as amended from time to time.

In addition, the School Sponsors of Jingyi Secondary School and the Appointees have irrevocably agreed that (i) the WFOE 2 may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreement to the directors of the WFOE 2 or its designated person, without prior notice to or approval by the School Sponsors of Jingyi Secondary School and the Appointees; and (ii) any person as successor of civil rights of the WFOE 2 and/or liquidator by reason of subdivision, merger, liquidation of the WFOE 2 or other circumstances shall have authority to replace the WFOE 2 to exercise all rights under the School Sponsors' and Directors' Rights Entrustment Agreement.

(9) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by the School Sponsors of Jingyi Secondary School in favor of the WFOE 2, the School Sponsors of Jingyi Secondary School authorized and appointed the WFOE 2, the director of which is Mr. Zheng Lin (鄭林) (who is not a director of Jingyi Secondary School and therefore does not give rise to any conflicts of interest), as their agent to act on their behalf to exercise or delegate the exercise of all their rights as school sponsors of Jingyi Secondary School. For details of the rights granted, see "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

The WFOE 2 shall have the right to further delegate the rights so delegated to the directors of the WFOE 2 or other designated person. The School Sponsors of Jingyi Secondary School irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events of the School Sponsors of Jingyi Secondary School. The School Sponsor's Powers of Attorney shall constitute part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(10) Director's Powers of Attorney

Pursuant to the Director's Powers of Attorney executed by each of the Appointees in favor of the WFOE 2, each of the Appointees authorized and appointed the WFOE 2, the director of which is Mr. Zheng Lin (鄭林) (who is not a director of Jingyi Secondary School and therefore does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Jingyi Secondary School. For details of the rights granted, see "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

The WFOE 2 shall have the right to further delegate the rights so delegated to the directors of the WFOE 2 or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Director's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Director's Powers of Attorney shall constitute part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(11) Loan Agreements

Pursuant to the Loan Agreements entered into by and among (i) the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jiasheng, Yueqing Jialuo and Yueqing Jiazheng, and (ii) among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, the WFOEs agreed to provide interest-free loans to JH Holdings Group and the School Sponsors of Jingyi Secondary School in accordance with the PRC laws and regulations and JH Holdings Group and the School Sponsors of Jingyi Secondary School agreed to utilize the proceeds of such loans to contribute to the business operation and development of Changzheng College, College of Information and Business and Jingyi Secondary School. All parties agreed that all such capital contribution will be directly settled by the WFOEs on behalf of JH Holdings Group and/or the School Sponsors of Jingyi Secondary School.

The terms of the Loan Agreements shall continue until all interest of JH Holdings Group and its subsidiaries and Jingyi Secondary School are transferred to the WFOEs or their respective designee and/or our Company or our designee and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreements will be for an infinite term until termination at the sole discretion of the WFOEs. The loans will become due and payable upon the WFOEs' demand under any of the following circumstances, as the case may be: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against JH Holdings Group, (ii) a winding-up or liquidation application has been filed by or against JH Holdings Group, (iii) JH Holdings Group or the School Sponsors of Jingyi Secondary School becoming insolvent or incurring any other significant personal debt which may affect its/his/her ability to repay the loan under the relevant Loan Agreements, (iv) the WFOEs or their respective designee exercising in full their option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations, or (v) any of relevant contractual parties (except for the WFOEs) commits any breach of any obligations under the Structured Contracts, or any warranties provided by relevant contractual parties (except for the WFOEs) under the Structured Contracts is proved incorrect or inaccurate. As advised by our PRC Legal Advisors, interest-free loans granted by the WFOEs to JH Holdings Group and the School Sponsors of Jingyi Secondary School is not in violation of the applicable PRC laws and regulations.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of JH Holdings Group and its subsidiaries, and Jingyi Secondary School, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of JH Holdings Group and its subsidiaries, and Jingyi Secondary School; and

(d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company and JH Holdings Group and its subsidiaries, and Jingyi Secondary School are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Structured Contracts and the practical consequences, we are advised by our PRC Legal Advisors that:

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets or equity interest in JH Holdings Group and its subsidiaries, and school sponsor's interests in Jingyi Secondary School in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of JH Holdings Group and its subsidiaries, and Jingyi Secondary School, injunctive relief or winding-up of each of JH Holdings Group and its subsidiaries, and Jingyi Secondary School as interim remedies, before there is any final outcome of arbitration;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of JH Holdings Group and its subsidiaries, and Jingyi Secondary School at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over each of JH Holdings Group and its subsidiaries, and Jingyi Secondary School, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

As a result of the above, in the event that JH Holdings Group and its subsidiaries, and Jingyi Secondary School, the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over JH Holdings Group and its subsidiaries, and Jingyi Secondary School and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to Our Structured Contracts" in this prospectus.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE SHAREHOLDERS of JH HOLDINGS GROUP AND THE SCHOOL SPONSORS OF JINGYI SECONDARY SCHOOL

Pursuant to the Spouse Undertakings, the respective spouse of each of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School has irrevocably, among others, authorized the respective Shareholder of JH Holdings Group and/or the School Sponsor of Jingyi Secondary School and his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct and indirect equity interest in JH Holdings Group or school sponsor's interests in Jingyi Secondary School in order to safeguard the interest of the WFOEs under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events.

In addition, as disclosed above, pursuant to the Business Cooperation Agreements, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School undertake to the WFOEs that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in JH Holdings Group or school sponsor's interests in Jingyi Secondary School, he/she shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF JH HOLDINGS GROUP AND ITS SUBSIDIARIES, AND JINGYI SECONDARY SCHOOL

Pursuant to the Business Cooperation Agreements, in the event of the dissolution or liquidation of JH Holdings Group and its subsidiaries, and Jingyi Secondary School, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School undertake that, among others, the WFOEs and/or their respective designee shall have the right to exercise all shareholders' rights and/or all school sponsors' rights on behalf of the Shareholders of JH Holdings Group and/or the School Sponsors of Jingyi Secondary School, as the case may be, and shall instruct all of JH Holdings Group and its subsidiaries, and Jingyi Secondary School to transfer assets received under PRC laws directly to the WFOEs and/or our designee. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreements" in this prospectus.

Furthermore, the WFOE 1 and any of its assigned person have been irrevocably authorized and entrusted to exercise the rights as shareholders of JH Holdings Group; the WFOE 2 and any of its assigned person have been irrevocably authorized and entrusted to exercise the rights as the school sponsors and directors of Jingyi Secondary School. See "Structured Contracts — Operation of the Structured Contracts — Summary of Material Terms of the Structured Contracts — (6) Shareholders' Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of Material Terms of the Structured Contracts — (8) School Sponsors' and Directors' Rights Entrustment Agreement" in this prospectus.

LOSS SHARING

In the event that JH Holdings Group and its subsidiaries, and Jingyi Secondary School incur any loss or encounters any operational crisis, the WFOEs may, but is not obliged to, provide financial support to JH Holdings Group and its subsidiaries, and Jingyi Secondary School.

None of the agreements constituting the Structured Contracts provides that our Company or its wholly-owned PRC subsidiary, the WFOEs, is obligated to share the losses of JH Holdings Group and its subsidiaries, and Jingyi Secondary School or provide financial support to JH Holdings Group and its subsidiaries, and Jingyi Secondary School. Further, each of JH Holdings Group and its subsidiaries, and Jingyi Secondary School 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 the WFOEs is not expressly required to share the losses of, or provide financial support to, JH Holdings Group and its subsidiaries, and Jingyi Secondary School. Despite the foregoing, given that the financial conditions and results of operations of JH Holdings Group and its subsidiaries, and Jingyi Secondary School are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if JH Holdings Group and its subsidiaries, and Jingyi Secondary School suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreements" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreements" above, the potential adverse effect on the WFOEs and our Company in the event of any loss suffered from JH Holdings Group and its subsidiaries, and Jingyi Secondary School can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

Each of the Structured Contracts provides that: (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of all the equity interest and school sponsors' interest that the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School (directly and indirectly) hold in JH Holdings Group and its subsidiaries, and Jingyi Secondary School by the WFOEs or any other party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, save for the Equity Pledge Agreement and Accounts Receivable Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) the WFOEs shall have the right to terminate the Structured Contracts by serving 30-day prior notice; and (c) each of JH Holdings Group and its subsidiaries, and Jingyi Secondary School, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School shall not be entitled to unilaterally terminate the Structured Contracts in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow the WFOEs or us to directly hold all or part of the school sponsor's interest in Jingyi Secondary School and/or all or part of the equity interest in JH Holdings Group and its subsidiaries and operate private higher education and high school education business in the PRC, the WFOEs shall exercise the Equity Call Option as soon as practicable and the WFOEs or its designated party shall purchase such amount of equity interest and school sponsors' interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsor's interest that the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School (directly and indirectly) hold in JH Holdings Group and its subsidiaries, and Jingyi Secondary School by the WFOEs or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, each of the Structured Contracts shall be automatically terminated, save for the Equity Pledge Agreement and Accounts Receivable Pledge Agreement, which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full. The Shareholders of JH Holdings Group and School Sponsors of

Jingyi Secondary School have undertaken to return to the WFOEs or their respective designated party any consideration they received in the event that the WFOEs or their respective designated party acquire all or part of the equity interest in JH Holdings Group and/or school sponsor's interest in Jingyi Secondary School.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School on the one hand, and our Company on the other hand. Pursuant to the Business Cooperation Agreements, each of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School undertakes to the WFOEs that, unless with the prior written consent of the WFOEs, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and each of the WFOEs is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Business Cooperation Agreements" in this prospectus.

Furthermore, there are mechanisms in place to protect against the respective spouse of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School from exercising any control or influence over our PRC Consolidated Affiliated Entities. The respective spouse of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School executed an irrevocable undertaking whereby he/she expressly and irrevocably undertakes that (i) has full knowledge of and has consented to the entering into of the Structured Contracts by the relevant Shareholder of JH Holdings Group or the School Sponsor of Jingyi Secondary School; (ii) has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to JH Group Holdings and its subsidiaries and/or Jingyi Secondary School and their/its affiliated entities, save for Mr. Chen Yutian's undertaking; (iii) authorizes the respective Shareholder of JH Holdings Group or School Sponsor of Jingyi Secondary School or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in JH Holdings Group or school sponsor's interest in Jingyi Secondary School (direct or indirect); (iv) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to his/her spouse's equity interest in JH Holdings Group or school sponsor's interest in Jingyi Secondary School; (v) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and (vi) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both the WFOEs and the spouse in writing. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School on the one hand, and our Company on the other hand.

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that:

(a) each of JH Holdings Group and its subsidiaries and Jingyi Secondary School was duly established and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, and each of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School is a natural person with full civil and legal capacity. Each of JH Holdings Group and its subsidiaries and Jingyi Secondary School has also obtained business license or school operation license as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of JH Holdings Group and its subsidiaries and Jingyi Secondary School (as the case may be), injunctive relief and/or winding up of JH Holdings Group and its subsidiaries and Jingyi Secondary School (as the case may be), and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the winding up of JH Holdings Group and its subsidiaries and Jingyi Secondary School (as the case may be) in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any compulsory provisions of PRC laws and regulations; in particular, the Structured Contracts do not violate the provisions of "concealing illegal intentions with a lawful form" under the PRC Contract Law, the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of JH Holdings Group and its subsidiaries, Jingyi Secondary School and the WFOEs;

(d) each of the Structured Contracts is enforceable under PRC laws and regulations, the entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interest in JH Holdings Group in favor of the WFOE 1 is subject to registration requirements with the relevant Administration of Industry and Commerce, and the pledge of any accounts receivable in favor of the WFOE 2 is subject to registration requirements with relevant government authorities; (ii) the transfer of the school sponsor's interests in Changzheng College, College of Information and Business and/or Jingyi Secondary School contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in JH Holdings Group and/or its subsidiaries contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws, and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement;

(e) neither the WFOEs nor our Company is obligated to share the losses of JH Holdings Group and its subsidiaries, and Jingyi Secondary School or provide financial support to JH Holdings Group and its subsidiaries, and Jingyi Secondary School. Each of JH Holdings Group and its subsidiaries, and Jingyi Secondary School is solely liable for its own debts and losses with assets and properties owned by it; and

(f) the consummation of the Structured Contracts does not violate the M&A Rules.

For details in relation to the risks involved in the Structured Contracts, see "Risk Factors – Risks relating to our Structured Contracts" in this prospectus.

Views of our Directors and the Sole Sponsor on the Structured Contracts

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School which engage or will engage in the operation of higher education and high school education, where the PRC laws and regulations currently restrict operation of higher education and high school education to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and strictly restricting government approval in respect of Sino-foreign ownership.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisors, our Directors are of the view that the Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "— Dispute Resolution" in this section.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the Listing and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Structured Contracts are fundamental to our Group's legal structure and business operations, and that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, our Directors and the Sole Sponsor are of the view that it is a justifiable and normal business practice (i) to ensure that (a) the financial and operational policies of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School can be effectively controlled by the WFOEs or their designee, (b) the WFOEs or their designee can obtain the economic benefits derived from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, and (c) any possible leakages of assets and values of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School can be prevented, on an uninterrupted basis; and (ii) based on the Sole Sponsor's analysis of other public comparable companies engaging in private higher education in the PRC, in which cases, the relevant structured contracts all have a term of over three years. See "Connected Transactions" in this prospectus.

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC 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 JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, the Structured Contracts as mentioned above enable our Company to exercise control over JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School. The basis of combining the results of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School is disclosed in note 2.1 of Section II to Appendix IA to this prospectus. Our Directors consider that our Company can combine the financial results of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

MOFCOM published the Draft Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While MOFCOM solicited comments on the draft law in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or a foreign invested entity ("FIE"). The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but confirmed by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarized categories:

(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. Articles 19 (Actual Controller) 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 Structured Contracts, to establish control of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School by the WFOEs, 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. However, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the negative list and the domestic enterprise does not apply for and obtain the necessary permission.

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

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

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

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

(a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;

(b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation; 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.

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 Catalog of Prohibitions, or make investments in sectors specified in the Catalog of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

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

Where foreign investors make investments in the sectors specified in the Catalog of Restrictions without authorization, the competent authorities of foreign investment of the PRC governments of provinces, autonomous regions and municipalities directly under the PRC 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 PRC governments of provinces, autonomous regions and municipalities directly under the PRC government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

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

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Ms. Zhang Xuli who are of Chinese nationality, will collectively and indirectly hold approximately 75% (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) of the issued share capital of our Company upon completion of the Capitalization Issue and the Global Offering and will collectively and indirectly hold approximately 72.28% of the issued share capital of our Company assuming that the Over-allotment Option is exercised in full; (ii) our Company through the WFOEs exercises effective control over JH Holdings Group and its subsidiaries, Changzheng College and Jingyi Secondary School pursuant to the Structured Contracts; and (iii) Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Ms. Zhang Xuli are of Chinese nationality, our PRC Legal Advisors are of the view that we can apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

The Potential Impact to Our Company in the Worst Scenario that the Structured Contracts Are Not Treated as a Domestic Investment

If the operation of higher education and/or high school education institutions is no longer in the negative list and our Group can legally operate the education business under PRC laws, the WFOEs will exercise the Equity Call Option under the Exclusive Call Option Agreements to acquire the school sponsor's interest of our PRC Operating Schools and/or the equity interest in JH Holdings Group and its subsidiaries, and unwind the Structured Contracts subject to re-approval by the relevant authorities.

If the operation of higher education and high school education is in the negative list, the Structured Contracts may be viewed as prohibited foreign investment. If the Draft Foreign Investment Law is refined and deviates from the current draft, depending on the treatment of existing contractual arrangements, the Structured Contracts may be regarded as invalid and illegal. As a result, our Group would not be able to operate our schools through the Structured Contracts and we would lose our rights to receive the economic benefits of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School. As a result, the financial results of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that 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, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

However, there are uncertainties as to what the definition of control may be under the final version of the Draft Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Advisors' understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the final version of the Draft Foreign Investment Law, if and when it comes into force.

Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Consolidated Affiliated Entities

As mentioned above, our PRC Legal Advisors are of the view that the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. To ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over JH Holdings Group and its subsidiaries, Changzheng College and Jingyi Secondary School and receive all economic benefits derived from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Ms. Zhang Xuli has given an undertaking to our Company, and our Company will enforce such undertaking to:

(a) continue to maintain his/her or procure his/her successors to maintain Chinese nationality and citizenship for as long as he/she holds a controlling interest in our Company; and

(b) obtain prior written consent of our Company as to the identity of the transferee(s) before he/she disposes of or transfers the controlling interest in our Company that he/she beneficially owns. Prior to any such disposal, transfer or other transactions which may result in him/her ceasing to have control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated), he/she (i) shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Structured Contracts will remain a domestic investment for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment and (ii) procure the transferee(s) who will become the new PRC controlling shareholder of our Company to provide an undertaking in the same terms and conditions as the one offered by him to our Company.

Based on the view of our PRC Legal Advisors and the aforesaid undertaking given by each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Ms. Zhang Xuli, our Directors are of the view that the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue. The aforesaid undertaking will become effective from the date of the listing of our Shares on the Stock Exchange and will remain effective until compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

Notwithstanding the above, there may be uncertainties that the above measures to maintain the Structured Contracts as domestic investment alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. See "Risk Factors — Risks Relating to Our Structured Contracts" in this prospectus.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company has undertaken to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment" in this prospectus as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;

(e) our Company will disclose, as soon as possible (i) any updates of changes to the Draft Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the final version of the Draft Foreign Investment Law as implemented, specific measures taken by us to fully comply with the final version of the Draft Foreign Investment Law supported by a PRC legal opinion and any material impact of the final version of the Draft Foreign Investment Law on our operations and financial position; and

(f) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of the WFOEs and JH Holdings Group and its subsidiaries, and Jingyi Secondary School to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our executive Director, Mr. Chen Yuguo is one of the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising not less than one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are a leading provider of private formal higher education in Zhejiang province in China in terms of student enrollment as of December 31, 2017. In addition to offering higher education, we provide secondary education to high school students in Zhejiang province. According to the Frost & Sullivan Report, we were the largest private provider of junior college education and the fourth largest private provider of formal higher education in Zhejiang province with a total number of student enrollments of 10,874 as of December 31, 2017. During the Track Record Period and up to July 5, 2018, we controlled and operated two schools, namely, Changzheng College and Jingyi Secondary School. For the 2018/2019 school year, we had an aggregate of 11,455 students enrolled at our initially-controlled schools, among which, 10,520 students were enrolled in Changzheng College and the remaining 935 students were enrolled at Jingyi Secondary School. In addition, we operated a joint venture school, College of Information and Business, which was held by JH Holdings Group as to 65.0% of the school capital contributor's interest during the Track Record Period and up to July 5, 2018. For the 2017/2018 school year, College of Information and Business had approximately 20,284 students under enrollment. For the 2018/2019 school year, College of Information and Business had 20,613 students under enrollment. As of the Latest Practicable Date, we controlled and operated all three of these schools. See "— Our Schools" in this prospectus.

According to Frost & Sullivan, approximately 45.7% of the college-aged population in China is enrolled in higher education institutions as of December 31, 2017, compared to an average of approximately 67.0% and 85.0% in certain developed countries in Europe and North America, respectively. Meanwhile, with continued economic development and higher disposable income of the residents in the PRC, the demand for higher education has been increasing at a fast pace, according to Frost & Sullivan. As such, we believe the PRC higher education market has tremendous space for growth and development. In light of this industry background, we believe that, as a private provider of higher education, we are well-positioned to capitalize on the market potential and opportunities in the PRC higher education sector.

We provide high-quality education to our students, including undergraduate education and junior college education, as well as high school education. For our undergraduate education and junior college education, we have dedicated our resources to designing comprehensive and diversified curriculums that encompass a broad range of practical major offerings. With respect to Jingyi Secondary School, we formulate our diverse and comprehensive curriculums by using the national and local requirements as the foundation and by introducing additional subjects designed by us. In addition, for Gaokao administered in 2018, approximately 88.3% of the students at our Jingyi Secondary School who participated in the examination were accepted into university or junior college programs in China.

We closely monitor the changing requirements of professional talents sought after by potential employers, including both government agencies and private enterprises. As a result, we have achieved high initial employment rates, with an average of approximately 98.0%, 98.0% and 98.1% for Changzheng College during the 2015/2016, 2016/2017 and 2017/2018 school years, respectively, which exceeded the average initial employment rates in Zhejiang province for the same school years of 97.1%, 97.5% and

97.7%, respectively. During the same school years, College of Information and Business had initial employment rates of 86.5%, 91.8% and 93.9%, respectively, which exceeded the average initial employment rates of graduating students of universities in Henan province for the same school years of 80.7%, 81.1% and 82.1%, respectively. We believe the relatively high initial employment rates of Changzheng College and College of Information and Business, and university admission rate of graduates of Jingyi Secondary School demonstrate the effectiveness of our education, which we believe will continue to enhance our brand recognition and help us attract talented students.

We experienced steady growth in our revenue, gross profit and student enrollment during the Track Record Period. Our revenue increased from RMB162.5 million for the year ended December 31, 2016 to RMB172.0 million for the year ended December 31, 2017, and further to RMB301.8 million for the year ended December 31, 2018. Our profit for the year increased from RMB137.4 million for the year ended December 31, 2016 to RMB190.6 million for the year ended December 31, 2017, and further to RMB286.9 million for the year ended December 31, 2018. In addition, for the years ended December 31, 2016, 2017 and 2018, we recorded a share of profits of College of Information and Business of approximately RMB84.5 million, RMB101.3 million and RMB74.3 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

As a leading private provider of formal higher education in Zhejiang province with solid reputation, we have a large presence in Henan province and possess strong growth potential.

We are a leading provider of private formal higher education in Zhejiang province in China in terms of student enrollment as of December 31, 2017. In addition to offering higher education, we provide secondary education to high school students in Zhejiang province. According to the Frost & Sullivan Report, we were the largest private provider of junior college education and the fourth largest private provider of formal higher education in Zhejiang province in terms of the total number of student enrollments as of December 31, 2017. As of the Latest Practicable Date, we controlled and operated three schools in the PRC, namely, Changzheng College, Jingyi Secondary School and College of Information and Business. For the 2018/2019 school year, we had an aggregate of 32,068 students enrolled at our schools, among which 20,613 students were enrolled in College of Information and Business, 10,520 students were enrolled in Changzheng College, and 935 students were enrolled at Jingyi Secondary School.

We had entered into a series of cooperation agreements with Zhongyuan University of Technology (collectively, the "cooperation agreements"), pursuant to which we operated College of Information and Business in Henan province since 2007. According to the cooperation agreements, we owned 65.0% of the school capital contributor's interest in College of Information and Business and have participated in the management and operation of the school, including the North Campus, since 2007. For details of the responsibilities we have with respect to College of Information and Business, see the section headed "— Our Schools" in this prospectus. Pursuant to the cooperation agreements, Zhongyuan University of Technology owned 35.0% of the school sponsor's interest of College of Information and Business and contributed by its allocated land use rights and buildings over such land, which were occupied by the North Campus, while the ownership of these land and buildings still belonged to Zhongyuan University of Technology. In March 2017 and June 2018, we entered into a series of termination and transformation agreements with Zhongyuan University of Technology to terminate the cooperation agreements and transform College of Information and Business from an independent college to a wholly privately-owned undergraduate college, subject to the final approval of the MOE. Pursuant to such agreements, we agreed to purchase the 35.0% school capital contributor's interest in College of Information and Business held by Zhongyuan University of Technology for an estimated consideration of RMB240.0 million and will independently assume the entire operation of College of Information and Business (excluding the land use rights, buildings, facilities and other properties used in the operation of the North Campus, which were owned by Zhongyuan University of Technology before the commencement of the cooperation and will remain to be owned and operated by Zhongyuan University of Technology in connection with the cooperation arrangement), which will subsequently be named Zhengzhou College of Economics & Business (鄭州經貿學院), subject to the approval from the relevant government authorities. Pursuant to the agreements, except for the payments relating to the North Campus and the transformation fees as agreed, neither College of Information and Business nor JH Holdings Group has to make any payment to Zhongyuan University of Technology. Pursuant to the termination and transformation agreements, the land and buildings in the North Campus shall continue to be owned by Zhongyuan University of Technology after the completion of the transformation. College of Information and Business did not own the land and buildings in the North Campus during the Track Record Period and will not own them after the completion of the transformation. Therefore, our Group's financial statements did not include such assets. Once the transformation becomes effective, our profitability will be further enhanced because we will be entitled to the benefits from the student enrollment quote originally allocated to the North Campus. See the sections headed "History and Corporate Structure — Our PRC Consolidated Affiliated Entities — 3. College of Information and Business" and "— Our Schools" in this prospectus.

Two of the schools we control and operate are located in Zhejiang province, which, along with Jiangsu province and Shanghai, forms the Yangtze River Delta. According to the Frost & Sullivan Report, Zhejiang province is one of the richest and most developed provinces in China. In 2017, the nominal GDP and per capita nominal GDP for Zhejiang province was RMB5.2 trillion and RMB92,057, respectively, which ranked fourth and fifth, respectively, among all provinces in China. In addition, the provincial government in Zhejiang province has enacted numerous policies and initiatives to encourage the involvement and development of private education providers. In addition, our College of Information and Business is located in Henan province. According to the Frost & Sullivan Report, while Henan province's nominal GDP was RMB4.5 trillion in 2017, it was growing at a CAGR of 8.5% from 2013 to 2017. In addition, it is one of the most populous provinces in China, with a population of 95.6 million in 2017, which ranked third among all provinces in China. The continued economic development and growth, together with a large population base, have contributed, and will continue to contribute, to the increased demand for formal higher education in Henan province, according to the Frost & Sullivan Report.

While the higher education market in China has experienced rapid growth in recent years, formal higher education sector is still under-served. According to the Frost & Sullivan Report, approximately 45.7% of the college-aged population in China is enrolled in higher education institutions as of December 31, 2017, compared to an average of approximately 67.0% and 85.0% in certain developed countries in Europe and North America, respectively, as of the same date. According to the Frost & Sullivan Report, strong economic development and higher disposable income of the residents in the PRC have contributed to the increasing demand for higher education. As such, we believe the PRC higher education market has room for growth and development. According to the Frost & Sullivan Report, private providers of higher education are expected to continue to fill in the gap between rapidly increasing demand and the relatively limited available public resources for higher education.

Our prior experience in setting up and managing private schools and our ability to expand our business operations across different regions in the PRC enable us to replicate our past success in our future endeavors.

We have over 20 years of experience operating private schools in the PRC. We commenced operating Changzheng College in 2006 and Jingyi Secondary School in 1997. Under our guidance and management, graduating students of Changzheng College have achieved high initial employment rates for graduates during the Track Record Period. For the 2015/2016, 2016/2017, 2017/2018 school years, Changzheng College had 3,776, 3,612 and 3,846 graduates, respectively, and the initial employment rates were approximately 98.0%, 98.0% and 98.1%, respectively. Comparatively, the average initial employment rates of graduating students of junior colleges in Zhejiang province for the same school years were 97.1%, 97.5% and 97.7%, respectively.

In addition, students at our Jingyi Secondary School excelled at their academic performances. For instance, for Gaokao administered in 2018, approximately 88.3% of the students at our Jingyi Secondary School who participated in the examination were accepted into university or junior college programs in China.

Through our cooperation agreements with Zhongyuan University of Technology, we have also operated College of Information and Business since 2007 until July 5, 2018. According to the Frost & Sullivan Report, we were the seventh largest private provider of higher education in Henan province in terms of the total number of student enrollments as of December 31, 2017. The total number of student enrollments in College of Information and Business increased from 19,008 for the 2015/2016 school year to 20,613 for the 2018/2019 school year. Under our operations during the Track Record Period, College of Information and Business was able to achieve relatively high initial graduate employment rates. For the 2015/2016, 2016/2017, 2017/2018 school years, College of Information and Business had 4,726, 5,196 and 5,498 graduates, respectively, and their initial employment rates were approximately 86.5%, 91.8% and 93.9%, respectively. Comparatively, the average initial employment rates of graduating students of universities in Henan province for the same school years were 80.7%, 81.1% and 82.1%, respectively.

As a result of the quality of education we provide, our schools received numerous awards and recognition from the People's Governments and the relevant education bureaus, including, among others, "outstanding private school" (優秀民辦學校) award granted to Changzheng College by the People's Government of Zhejiang Province and "outstanding private school" (優秀民辦學校) award granted to College of Information and Business by the Henan Education Department. See the section headed "– Awards and Recognition" in this prospectus.

We believe that the initial graduate employment rates of our college graduating students and the academic and other performances of our high school students were a testament of the quality of education we provide. Given our past success in operating schools in Zhejiang province and Henan province, we believe we have the track record that will enable us to leverage on our experience and expertise to replicate our past success to the new school(s) we may establish or existing schools that we may acquire in the future.

Our strategic locations, diverse curriculums formulated based on the evolving market trends, mature school-enterprise collaboration business model and practical training-focused course offerings provide our students with promising employment opportunities.

Our business operations are strategically located in Zhejiang province and Henan province, the former is a part of the Yangtze River Delta that is one of the most economically developed regions in the PRC, and the latter is one of the most populous provinces in China with rapid economic growth. According to the Frost & Sullivan Report, Zhejiang province is a major education hub in China and as such, there is enhanced emphasis in education and education-related expenditures and investments. Per capita annual expenditure on education of urban residents in Zhejiang province grew from RMB1,284 in 2013 to RMB1,976 in 2017, representing a CAGR of 11.4%. It was significantly higher than the per capita annual expenditure on education of urban residents in China, which was RMB1,021 in 2017. Moreover, as the economy of Henan province continues to grow, per capita annual expenditure on education of urban residents also rapidly rises. According to the Frost & Sullivan Report, per capita annual expenditure on education of urban residents in Henan province grew at a CAGR of 11.6% from 2013 to 2017, as a result of increasing disposal income of urban residents and parents' increasing emphasis on education in Henan province. As such, we believe we are strategically positioned to benefit from such regional advantages.

We are committed to providing high-quality private education to our students, including formal undergraduate education, junior college education and high school education. For our formal undergraduate education and junior college education, we have dedicated our resources to designing comprehensive and diversified curriculums that encompass a broad range of practical major offerings. We are of the view that these majors and curriculums are instrumental in equipping our students with readily applicable and practical skills that enable them to have a competitive advantage in the labor market upon graduation and help them meet the evolving demands of employers. Our majors and curriculums are market-oriented. We generally create and regularly update major offerings at our Changzheng College and College of Information and Business by conducting thorough research on regional economic development and industry needs to identify under-served segments of the labor market. Based on our research of the current and anticipated market demands, we have established several market-oriented clusters of majors after careful consideration. For example, Changzheng College has offered construction project management, computer information, finance and accounting, business English, commercial trading and economics and management majors. For instance, College of Information and Business has canceled property management, engineering and several other majors and began to offer new majors, such as e-commerce, during the Track Record Period. With respect to Jingyi Secondary School, we formulate our diverse and comprehensive curriculums by using the national and local requirements as the foundation and by introducing additional subjects designed by us. As a result, our curriculums are fluid and evolving, which, we believe, are important to satisfy the academic development needs of our students and to promote their all-around growth. Our innovative elective courses include, but not limited to, small- and mid–sized enterprise taxation planning, small- and mid-sized enterprise accounting system design, and small- and mid-sized enterprise foreign trade negotiations.

We believe we can better prepare our students to face the challenges of the job market upon graduation by emphasizing practical training and internships and allowing them to maximize their time to obtain and refine readily applicable professional skills. In order to achieve this, we have established robust school-enterprise collaboration with numerous enterprises and institutions in the PRC. For example, as of December 31, 2018, Changzheng College had collaborated and co-established external practical training bases with numerous enterprises and institutions in the PRC. As of the same date, the school had more than 500 on-campus and external practical training bases. College of Information and Business has also launched in-depth cooperation with numerous enterprises and institutions in the PRC, which entails close school-enterprise collaboration that focuses on the development of applied technical talent through active participation in technical talent training through such enterprises. Based on such collaboration, College of Information and Business formulated eight applied technical majors, including, among others, flight services, investment, e-commerce, international economics and trade, accounting and English. As of December 31, 2018, College of Information and Business had established approximately 126 external practical training bases with third-party enterprises and institutions and eight on-campus training bases.

We have a highly qualified teaching staff, which, we believe, is crucial to providing high-quality education to our students.

We are able to offer our diverse curriculums and educational programs because we actively recruit, retain and train highly qualified teachers, who we believe are instrumental in maintaining the high-quality education we provide. We believe teachers who possess sufficient industry expertise and practical knowledge and are capable and dedicated to teaching will be highly valuable in shaping the learning habits of our students. Therefore, we have made teacher recruitment and retention a paramount priority. We have formulated and implemented strict standards and procedures for teacher recruitment to ensure that our teachers possess a high level of professional competence and expertise as well as teaching experience we require. For teachers at our Changzheng College and College of Information and Business, we emphasize the development of teachers who excel in teaching applied skills and are knowledgeable and familiar with the industries in which the relevant skills would apply. For teachers at our Jingyi Secondary School, we look for those who not only possess sufficient teaching experience and track record but are also dedicated to nurturing students' growth and improving their academic performance.

We have a strong faculty of qualified and dedicated teachers. As of December 31, 2018, we employed an aggregate of approximately 1,188 teachers at our schools, among whom, approximately 99.0% had a bachelor's degree or above, and approximately 67.8% had a master's degree or above. We also value the recognition bestowed upon our teachers by local education bureaus and government institutions who have achieved teaching excellence.

We have comprehensive training programs in place for our newly hired and existing teachers. The training programs at each of our schools for newly hired teachers focus on teaching skills and techniques. We also provide continuing training, including online training, for our existing teachers so that they can stay abreast of changes in their relevant industry, new teaching theories and/or methodologies, changing teaching and testing standards. As of December 31, 2018, approximately 63.9% of our full-time teachers in Changzheng College had been with us for at least five years, and approximately 53.3% of our full-time teachers in Jingyi Secondary School had been with us for at least three years. In addition, approximately 64.6% of our full-time teachers in College of Information and Business had been with us for over three years. We believe that we have a relatively low teacher turnover ratio, which was indicative of the stability of our teaching staff. During the Track Record Period, the teacher turnover ratio for Changzheng College and College of Information and Business was consistently below 10%.

We have an experienced, stable and proven senior management team with advanced educational concepts, abundant school management experience, strong operational capabilities and successful track record.

We have an experienced, stable and proven senior management team with deep knowledge in the PRC private education industry, who have extensive management experience and strong operational capabilities that have contributed to our success. Our management team consists of our executive Directors and senior management. Our Board is responsible for the overall strategic development and operation management of our Group. Mr. Chen Yuguo, our Chairman, has more than 21 years of experience in education. In addition, Mr. Chen Yuchun (陳餘春), one of our executive Directors, has more than 21 years of experience in education.

We also have a seasoned team of highly qualified management personnel. The presidents (or principals) and vice presidents (or vice principals) of our schools have proven to be capable educators and school administrators. For example, the presidents (or principals) and vice presidents (or vice principals) of our Changzheng College have been with our Group for an average of over 10 years, whereas those at Jingyi Secondary School have been with our Group for an average of over 12 years. Furthermore, the presidents (or principals) and vice presidents (or vice principals) of College of Information and Business have been with our Group for an average of over four years. We believe our management team's extensive education and management experience as well as their stable relationship with us have provided us with profoundly positive impact as their valuable industry insight and expertise and their collaborative team spirit enable us to manage our business operations more efficiently and effectively, which continue to contribute to our strong brand recognition and excellent reputation.

OUR BUSINESS STRATEGIES

We intend to solidify our position as a leading private provider of formal higher education in Zhejiang province focusing on nurturing professional talent. We intend to leverage our operating experience in Henan province to further expand our school network in the PRC and overseas. To achieve this goal, we plan to pursue the following business strategies:

Expand our business operations and school network to achieve economies of scale

We intend to expand our business operations and school network by acquiring existing schools and/or establishing new schools. We plan to pursue the following measures:

- *Expanding our existing operations*:

  - We plan to establish a new campus of College of Information and Business in Kaifeng, Henan province, that will primarily offer undergraduate courses. We chose Kaifeng as the location of the second campus of College of Information and Business primarily because Kaifeng government planned to develop a higher education park. We plan to invest up to RMB800.0 million in three tranches, which will mainly be funded by the net proceeds of the Global Offering, bank loans and profit from the continuing operations of College of Information and Business. We intend to acquire the relevant land use rights through which we will construct the school facilities. Approximately RMB345.0 million of our aggregate investment is expected to be used for the acquisition of the land and approximately RMB455.0 million is expected to be used for construction. The estimated student capacity of the second campus will be approximately 15,000 students. As of the Latest Practicable Date, we had submitted our application to establish such campus to the local government and had not yet obtained the land for such new campus.

  - We also plan to construct new buildings in the Main Campus by constructing three additional student dormitories and two new teaching buildings with an aggregate gross floor area of 27,000 sq. m. We obtained the construction planning permit for the three student dormitories and two teaching buildings in March 2017. We planned to obtain other governmental approvals for the commencement of the construction work. We expect to invest up to RMB50.0 million in connection with such construction, which will primarily be funded by our internally generated funds. We expect construction to take approximately 12 to 15 months to complete and anticipate the new dormitories and teaching buildings to be available for use beginning in the 2020/2021 school year. Accordingly, we expect that the student capacity at College of Information and Business will increase to approximately 25,000 once these buildings are put into use.

  - We plan to expand the existing campus of Changzheng College in Hangzhou, Zhejiang province, by constructing new student dormitories, a student knowledge exchange center and canteens. As of the Latest Practicable Date, we obtained the relevant land use rights certificate for a parcel of land with a gross site area of approximately 105,329 sq. m. on which we plan to construct the relevant student dormitories and other school facilities. We have obtained the relevant government approvals for the commencement of the construction work. We expect to invest up to RMB50.0 million in connection with such construction, which will primarily be funded by our internally generated funds. We expect construction to take approximately 10 to 12 months to complete and anticipate the construction of the new dormitories and teaching buildings to be completed during the 2019/2020 school year. Accordingly, we expect that the student capacity at Changzheng College will increase to approximately 13,024 once these buildings are put into use.

- We also plan to establish a new campus of Changzheng College in 2022. On October 11, 2016, we entered into a framework agreement with Hangzhou East River Industrial Cluster Management Committee (杭州大江東產業集聚區管委會), an Independent Third Party, pursuant to which the parties agreed to establish a new campus of Changzheng College with an aggregate expected enrollment of not less than 5,000 students. According to the framework agreement, Changzheng College shall acquire the State-owned land use right with a total gross site area of approximately 252,000 sq. m. by allocation at a consideration of RMB600,000 per mu. Subject to the availability of the land, the first phase of the construction is expected to commence in 2019 with a total investment of RMB750.0 million (including approximately RMB250.0 million for land acquisition). We intend to use our internally generated funds and a portion of the net proceeds from the Global Offering for this expansion project. As of the Latest Practicable Date, we were in the process of applying for the use of the relevant land located at Xinwan Road, Xiaoshan District, Hangzhou, Zhejiang province, for this expansion. We anticipate construction to begin shortly after we acquire the relevant land use rights certificate and other requisite permits for the construction of the new school facilities, which we expect to put into use beginning in the 2022/2023 school year.

We believe that with the completion of the expansion of our existing operations, we will achieve economies of scale, including shared management, shared fixed costs, as well as shared administrative expenses. After the full completion of the expansion, which is expected to be in 2022, our aggregate number of student enrollments of Changzheng College and College of Information and Business for the 2022/2023 school year are estimated to increase by 86.4% (assuming that the students are fully enrolled in the respective campuses of Changzheng College and College of Information and Business immediately after the completion of all of our expansion projects in 2022), compared to the aggregate number of student enrollments of College of Information and Business and Changzheng College for the 2018/2019 school year, while the proportion of the fixed cost of sales to revenue after the expansion is expected to decrease by 0.5% compared to the proportion for the year ended December 31, 2018 and the proportion of administrative expenses to revenue after the expansion is expected to decrease by 0.2% compared to the proportion for the year ended December 31, 2018. Revenue, fixed cost of sales and administrative expenses after the expansion are estimated based on our historical financial information. Actual results may deviate from our expectation and estimation.

For further details of our expansion plans, please see the section headed "— Expansion Plans" in this prospectus.

- *Acquisitions*: We prefer to acquire or invest in schools that offer higher education with relatively low utilization rates and/or have substantial growth potential in the PRC. We prefer to acquire qualified undergraduate colleges and/or junior colleges whose school sponsors have elected or intend to elect them to be for-profit private schools in central China, eastern China and southern China. According to Frost & Sullivan, the number of available suitable target schools in central China, eastern China and southern China is approximately 60 to 80, 120 to 150, and 60 to 80, respectively. We intend to give acquisition priority to schools that offer economics, management, engineering, arts and medicine majors, among others. We will also consider acquiring private undergraduate colleges and/or junior colleges that offer curriculums and education programs that complement those offered at our existing schools, which we believe will create additional business synergies within our school network in terms of resource sharing and student recruitment.

  When conducting our analysis regarding potential acquisition targets, we primarily consider the following criteria: (i) the level of education the target school provides, the target school's operating scale; (ii) the region in which the target school is located; (iii) whether the school sponsor(s) of the target school has elected or intend to elect such school to be for-profit private school; (iv) the quality of the teaching staff; (v) the asset conditions and the financial status of the target school; and (vi) any potential implication or financial impact such acquisition may have on our Group, such as tax impact. We will carefully evaluate these factors based on a totality of circumstances in order to identify suitable acquisition target(s) for our expansion. We will give priority to consider target schools that have elected to be or indicated that they will elect to be for-profit private school. As of the Latest Practicable Date, we had not identified any suitable target(s) for acquisition.

  Following the completion of such acquisitions, we plan to leverage our operational experience and educational expertise to optimize the operations of the newly acquired schools. In particular, we intend to integrate such schools into our existing school network and implement the same management systems to achieve higher degree of operating efficiency. We plan to promote enhanced inter-school cooperation and resource sharing. Specifically, we may want to share internship and employment information among our schools in order to provide students ample options and opportunities for practical experience and employment after graduation. In addition, we plan to promote our brand and raise our profile through coordinated student recruitment and other marketing efforts. We believe our schools have sufficient talented and experienced senior management and teachers and administrative staff who are able to assist us to improve our management and operations of our school network in a relatively short period of time. We also believe we have diverse and comprehensive major offerings and curriculum design to expand the disciplines covered by the newly acquired schools to enhance their educational quality. In addition, we have maintained robust school-enterprise collaboration relationships, which, we believe will benefit the integration of newly acquired schools. The integration of the above-mentioned resources will likely complement our existing business and engender further business synergies through economies of scale. We believe that successful integration is vital in our ability to maintain the quality of the education we provide, further promote our brand recognition and attract prospective students.

- *Establish new school overseas*:

  - We plan to establish a degree-granting higher education institution in California, United States (the "California School") to offer programs relating to business administration and international business. We have engaged an agent who has experience in post-secondary education to assist us in establishing the California School in California and filing applications with the BPPE regarding the establishment of a higher education institution in California. On August 27, 2018, we established a subsidiary, Jiaren US, in the U.S. as our entity to operate and manage the California School to be established. On September 24, 2018, we filed an application with the BPPE to establish the California School, a private higher education institution in California. The approval process with the BPPE is expected to complete within approximately 12 months from the date of application. Based on our operating results of such overseas education institution, we may consider establishing additional overseas education institutions. See "History and Corporate Structure — School to be Established — New School in the United States" in this prospectus.

    As of the Latest Practicable Date, we have expended approximately US$50,000 in connection with the planned operation and development of the California School out of our self-owned working capital. We intend to further invest up to US$500,000, out of our self-owned working capital for establishing and operating the California School in 2021. We do not expect such investment will have any material adverse impact on our overall cost structure or financial results on the basis that: (i) most of the costs arising from the establishment of the California School will be capitalized and thus, will not affect our overall profitability throughout its establishment period; (ii) we estimate that the initial number of student enrollments of the California School will not exceed 20 and the California School will progress to a more mature stage after six to ten years of development and operation, with an increasing trend of student enrollment year by year until reaching a total number of student enrollments of approximately 400; and (iii) our expected investment of US$500,000 represents only 2.36% of our cost of sales of our Group (including that of College of Information and Business) for the year ended December 31, 2018. The expected investment of US$500,000 will be allocated to the establishment of the school as to US$120,000, teacher recruitment and educational research as to US$25,000, daily operation and management as to US$175,000 and marketing and promotion as to the remaining US$180,000. The expected payback period is approximately four to five years and the expected breakeven period is approximately 13 months. We have also nominated Mr. Liu Dengyi (劉登義) and Ms. Wei Lin (魏琳) to oversee the administration of California School. Mr. Liu Dengyi has approximately 34 years of experience in the PRC education industry and served as the vice principal of College of Information and Business. Ms. Wei Lin obtained a Degree of Bachelor majoring in English and is currently assisting in matters relating to the international cooperation and exchange of College of Information and Business. With the assistance of a third-party consultant, we plan to recruit qualified principals, teachers and other administrative staff in the United States for the daily operation and management of the California School.

Enhance our profitability by optimizing our pricing strategies and diversify our revenue sources

The tuition fees and boarding fees we charge are significant factors affecting our profitability. The tuition fee rates for our schools are generally subject to the approval of the relevant government pricing authorities in the areas where we operate. Under the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費暫行管理辦法》), promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. However, as of the Latest Practicable Date, certain of our schools were permitted to have the discretion to adjust the tuition fee rates they charge. For instance, according to the Reply on the Pilot Program of Zhejiang Changzheng Vocational and Technical College to Expand the Autonomy of Fee Collection (《關於浙江長征職業技術學院擴大收費自主權試點的批覆》) jointly issued by the Pricing Bureau of Zhejiang Province (浙江省物價局) and the Zhejiang Department of Education (浙江省教育廳) in May 2016, our Changzheng College had the discretion to set the tuition fee rates applicable to newly enrolled students beginning in the 2016/2017 school year based on its operating costs. Changzheng College shall make appropriate filings with the Pricing Bureau of Zhejiang and the Zhejiang Department of Education for each tuition fee rate adjustment. During the Track Record Period, we raised the tuition fee rates at Changzheng College in the 2016/2017 school year and the boarding fee rates at Changzheng College in the 2017/2018 school year. We intend to raise tuition fee rates to newly enrolled students at Changzheng College for the 2019/2020 school year. Prior to 2017, College of Information and Business was required to obtain prior approval from the relevant government pricing authorities in connection with any adjustment of the tuition fee standards. Since 2017, College of Information and Business had the discretion to set the tuition fee rates within the statutory upper limits to newly enrolled students, subject to the filings to be made with the pricing and educational authorities of Henan province. Accordingly, College of Information and Business made filings with the pricing and educational authorities of Henan province and increased the tuition fee rates in the 2017/2018 school year, and we intend to increase our tuition fee rates applicable to newly enrolled students at our College of Information and Business for the 2019/2020 school year.

Since our brand awareness and market recognition have increased over the years, we believe we are in a good position to further optimize our pricing without compromising our reputation and our ability to attract and retain students as compared to our competitors with a view to enhancing our profitability. For the 2018/2019 school year, we maintained the existing tuition fee rates.

In addition, we plan to diversify the sources of revenue and other income. We intend to continue to solidify our relationship with business enterprises and institutions to deepen our school-enterprise collaborative relationships with an aim to gradually expand mutual cooperation to set up additional training bases, create new internships and expand courses to cover more majors.

Continue to attract and retain qualified teachers and elevate their research and curriculum development capabilities.

The quality of the education we provide largely depends on our teachers. We intend to continue to attract, train and retain qualified teachers in order to improve the overall quality of our teaching staff and build an excellent faculty team. To achieve this goal, we intend to recruit well-recognized technical experts, experienced teachers and other highly skilled personnel to join our teaching staff. We also plan to offer higher salary and better benefits package and provide housing to our staff. We will continue to implement relatively high teacher recruitment standards, including seeking candidates that we believe possess exceptional qualities we look for in our teachers. See the section headed "— Teaching Staff, Recruitment, Training and Evaluation — Teacher Recruitment" in this prospectus. To further improve the quality of teaching, we intend to improve our educational quality control system of our schools by conducting professional evaluation, curriculum evaluation, expert supervision, peer review and student evaluation. To ensure we provide high-quality education to our students, we will continue to conduct teacher performance reviews and evaluations periodically.

Moreover, we intend to expand the training programs we have in place for our newly hired teachers and existing teachers. Specifically, we plan to implement our training objectives by further improving the pre-job training content, increasing the frequency in the participation of our teachers to practice in the enterprises that we maintain active school-enterprise collaboration programs, and encouraging our teachers to frequently participate in various types of internal and external training, as well as other academic qualifications.

Continue to improve our course and major offerings and design specialized disciplines based on evolving market trends in order to improve our educational quality and our reputation

We believe the rapid development of the private education industry in China has created significant and increasing demand for high-quality education in this sector. Thus, we plan to continually improve and diversify our course offerings in response to the evolving industry trends and market demand. With respect to our Changzheng College and College of Information and Business, we plan to focus on the construction and development of numerous disciplines which are closely related to regional economic and social development and industry needs. In addition, with respect to our Jingyi Secondary School, we intend to provide our high school students a diversified and comprehensive educational platform. We are confident that further diversification of our major and course offerings will help them achieve their career objectives.

Taking College of Information and Business as an example, during the past five years, in order to adapt to the increasing needs from the strategic emerging industries and high-tech enterprises in the PRC, College of Information and Business has established a number of undergraduate and junior college majors, including, but not limited to, e-commerce, road traffic signals and control, digital media technology, investment science, business English, credit management, mechanical and electrical engineering, road and bridge engineering technology, mechatronics technology, property management, digital media art, art of broadcasting and hosting, internet and new media, economic statistics, data science and "big data" technology. At the same time, according to the changes in the labor market demand, College of Information and Business decided to suspend student recruitment for property management, tourism English, Japanese, industrial engineering, construction electric and intelligence, clothing and apparel design, and other undergraduate and junior college majors throughout the Track Record Period. We believe that further enrichment of our disciplines and curriculums will help our students achieve their career goals.

OUR EDUCATIONAL PHILOSOPHY AND MISSION

Our educational philosophy is to emphasize "people-oriented education, moral cultivation, service to society and pursuit of excellence" (以人為本, 立德樹人, 服務社會, 追求卓越). We focus on providing high-quality private higher education to allow our students to be equipped with practical knowledge and readily applicable skills, which, we believe, will help them succeed in real life. Our educational mission is to build a well-recognized private educational brand in China, establish reputable undergraduate colleges and junior colleges to serve society and the all-around development of our students.

OUR SCHOOLS

Overview

During the Track Record Period and up to July 5, 2018, our school network consisted of Changzheng College and Jingyi Secondary School. We refer to these two schools as "our initially-controlled schools" throughout this prospectus. The details of our initially-controlled schools are as follows:

- *Changzheng College* – a formal higher education institution located in Hangzhou, Zhejiang province, the PRC, which primarily provides junior college education to students involving approximately 33 majors; and

- *Jingyi Secondary School* – a formal high school educational institution located in Wenzhou, Zhejiang province, the PRC.

JH Holdings Group appoints the majority of the members of the board of directors of Changzheng College, which is the highest decision-making body of the school. Members of the board of directors of Jingyi Secondary School are elected by the school sponsors, employee representatives and relevant units. The board of directors of each of our initially-controlled schools is generally responsible for, among other things, (i) appointing the principal, vice principal(s) and the head of its financial department; (ii) raising funds and setting the annual budget of the school; (iii) making important decisions on investments in and acquisition and disposal of assets; (iv) determining the institutional structure of the school; and (v) setting the salaries and benefits of school personnel. The principal and vice principals of each of our initially-controlled schools are generally responsible for the day-to-day operation of our initially-controlled schools.

We also operate College of Information and Business, which has been our joint venture school during the Track Record Period and up to July 5, 2018. College of Information and Business is an independent college located in Zhengzhou, Henan province, the PRC, which provides formal undergraduate education and junior college education. It offers approximately 44 majors in its undergraduate program and 16 majors in the junior college program. Beginning on July 6, 2018, College of Information and Business has become one of our schools.

Based on the cooperation agreements we entered into with Zhongyuan University of Technology and the articles of association of College of Information and Business in effect prior to July 5, 2018, College of Information and Business had two campuses, namely, the Main Campus, located at No. 2 Double Lake Boulevard, Longhu Town, Xinzheng, Zhengzhou, Henan province, and the North Campus, located at No. 41 Zhongyuan Middle Road, Zhengzhou, Henan province, pursuant to which (i) College of Information and Business consists of the Main Campus and the North Campus; (ii) 35% of the investment to be made to College of Information and Business should be made by Zhongyuan University of Technology and 65% should be made by JH Holdings Group. Zhongyuan University of Technology should contribute intangible assets, including but not limited to, school brand as its investment and JH Holdings Group should make investment to College of Information and Business by contributing the land, buildings and relevant facilities; (iii) the assets of the North Campus should be contributed by and belong to Zhongyuan University of Technology, and all assets of the Main Campus should be contributed by JH Holdings Group and belong to College of Information and Business; and (iv) the total income and loss relating to the operation in the North Campus are all allocated to Zhongyuan University of Technology and the income and loss relating to the operation in Main Campus are allocated to Zhongyuan University of Technology as to 35% and JH Holdings Group as to 65%. According to the cooperation agreements and the articles of association of College of Information and Business in effect before July 5, 2018, the principal of College of Information and Business shall be nominated by Zhongyuan University of Technology and approved by the board of directors of College of Information and Business. In addition, during the course of the cooperation, numerous activities such as the disposal of assets, material financial activities, changes in the management of College of Information and Business and the termination of the cooperation shall require the unanimous written consent of the board of directors. The principal of College of Information and Business, who is appointed by its board of directors, shall implement board decisions, draw up annual development plan, set the annual budget for the board's approval, supervise teaching activities, and be in charge of the daily operation of College of Information and Business. Furthermore, prior to the approval of the amendments to the articles of association of College of Information and Business on July 5, 2018 by the Henan Department of Education, according to the terms of reference stipulated in the original articles of association of College of Information and Business then in effect, except for the unanimous consent matters, the resolutions of other matters shall be approved by a vote of two-thirds (2/3) of the board of directors and also by the chairman and vice-chairman of the board. Pursuant to the original articles of association dated December 17, 2015, JH Holdings Group was entitled to appoint five-ninths (5/9) of the board of directors, which was less than the required threshold of two-thirds (2/3) relating to the approval of other matters. The chairman of the board of directors shall be nominated by JH Holdings Group and the vice-chairman of the board shall be nominated by Zhongyuan University of Technology. Accordingly, from 2007 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remaining 65.0% of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures.

On March 28, 2017, we entered into an agreement on transformation with Zhongyuan University of Technology (as supplemented on June 12, 2018), pursuant to which, among other things, College of Information and Business will be transformed, subject to regulatory approval from the relevant PRC government authorities, from an independent college to a wholly privately-owned undergraduate college, to be named Zhengzhou College of Economics & Business* (鄭州經貿學院), which will be wholly-owned by our Group subject to the final approval of the MOE. In connection with such transformation, we have paid an aggregate consideration of RMB240.0 million to Zhongyuan University of Technology by October 29, 2018. For further details of such agreement, see the section headed "History and Corporate Structure — Our PRC Consolidated Affiliated Entities — 3. College of Information and Business" in this prospectus. In connection with our application for the transformation of College of Information and Business, the Henan Department of Education approved the amendments to the articles of association of the school on July 5, 2018. According to the amended articles of association of College of Information and Business, (i) the resolutions relating to the appointment of the principal of the school, amendments to the articles of association and other special matters shall be approved by a vote of two-thirds (2/3) of the board of directors, the resolutions of other matters shall be approved by the vote of one-half (1/2) of the board; (ii) the chairman of the board has the final decision on unresolved matters; (iii) JH Holdings Group is entitled to appoint five-ninths (5/9) of the board, which would be more than the required threshold of one-half (1/2) relating to the resolution of other matters; and (iv) the chairman of the board shall be nominated by JH Holdings Group. Since the special matters which need to be approved by two-thirds of the board of directors of College of Information and Business are not relevant to its daily operation and the chairman nominated by our Group has the final decision on unresolved matters, our Group was able to control College of Information and Business by passing resolutions on daily operating matters with more than one-half of the directors. Based on the foregoing, we were able to consolidate the financial results of College of Information and Business into the consolidated financial statements of our Group beginning on July 6, 2018.

After College of Information and Business completes the transformation from an independent college to a wholly privately-owned undergraduate college, it will gain complete self-autonomy in its operations.

The following tables set forth the revenue, revenue attributable to tuition fees and boarding fees and gross profit margin by school for the periods indicated.

The following table set forth a breakdown of the revenue generated by each of our schools for the periods indicated:

School Name	Revenue		
	Year ended December 31,		
	2016	2017	2018[3]
	RMB'000	*RMB'000*	*RMB'000*
Changzheng College			
Tuition fees	134,776	141,845	146,274
Boarding fees	14,953	15,412	16,550
Other education service income[1]	1,098	1,561	1,667
Subtotal	150,827	158,818	164,491
Jingyi Secondary School			
Tuition fees	5,208	5,744	6,012
Boarding fees	582	523	453
Other education service income[2]	5,864	6,908	7,790
Subtotal	11,654	13,175	14,255
College of Information and Business[3]			
Tuition fees	229,290	240,601	250,922
Boarding fees	19,241	20,478	20,660
Subtotal	248,531	261,079	271,582

Notes:

(1) Mainly includes fees received from the provision of adult education services and training services to certain students in Changzheng College.

(2) Mainly includes fees from students who enrolled in the training program and the Rong Tong program at Jingyi Secondary School.

(3) College of Information and Business had been a joint venture school of our Group during the Track Record Period and up to July 5, 2018, pursuant to which its financial results were not consolidated into the financial statements of our Group until July 6, 2018. Based on the cooperation arrangement we had with Zhongyuan University of Technology, from 2007 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remaining 65.0% of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures. However, pursuant to the agreement between us and Zhongyuan University of Technology in March 2017, College of Information and Business will be transformed from an independent college to a wholly privately-owned undergraduate college, pending approval from the relevant PRC government authorities. In connection with the application for transformation, the Henan Department of Education approved the amendments to the articles of association of College of Information and Business in relation to a change in the decision-making mechanism of the board of directors of the school on July 5, 2018. Beginning on July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group. Accordingly, for the year ended December 31, 2018, only RMB123.1 million of the total revenue generated by College of Information and Business for the year (consisting of RMB113.5 million of tuition fees and RMB9.6 million of boarding fees) was consolidated into the financial results of our Group.

The following table set forth a breakdown of our gross profit and gross profit margin by school for the periods indicated:

	Gross Profit			Gross Profit Margin		
	Year ended December 31,			Year ended December 31,		
School Name	**2016**	**2017**	**2018**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*%*	*%*	*%*
Changzheng College	93,898	97,387	105,216	62.3	61.3	64.0
Jingyi Secondary School	2,713	4,929	5,617	23.3	37.4	39.4
Subtotal (our initially-controlled schools)	96,611	102,316	110,833	59.5	59.5	62.0
College of Information and Business	135,777	135,145	138,472	54.6	51.8	51.0
Total (our schools)	—	—	249,305	—	—	55.4[(1)]

Note:

(1) The gross profit margin of our schools for the year ended December 31, 2018 was calculated by using the sum of the gross profit generated from each of our schools in the year ended December 31, 2018, divided by the total revenue generated from such schools in the same year.

The gross profit margin of our initially-operated schools remained relatively stable at 59.5% for the years ended December 31, 2016 and 2017. The gross profit margin of our initially-operated schools for the year ended December 31, 2018 increased to 62.0%, mainly because we raised tuition fee rates in Changzheng College in the 2016/2017 school year and Jingyi Secondary School in the 2017/2018 school year, while the related costs remained relatively stable. The gross profit margin of College of Information and Business decreased from 54.6% for the year ended December 31, 2016 to 51.8% for the year ended December 31, 2017, and further to 51.0% for the year ended December 31, 2018, mainly due to an increase in cost of sales outpacing growth in revenue as a result of larger amounts of salary and benefits of the teaching staff and depreciation and amortization.

Student Enrollments and Capacity

During the course of our operations, we have sought to capture the opportunities in the areas we operate in terms of the demand for specialized technical talent. As a result, we have experienced steady growth in student enrollment during the Track Record Period. As of December 31, 2018, we had an aggregate of 32,068 students enrolled at our schools.

The following table sets forth information relating to the student enrollment by school for the school years indicated:

School Name	Number of Student Enrollments[(1)] School Year 2015/2016	2016/2017	2017/2018	2018/2019
Changzheng College				
Junior college program	11,152[(3)]	10,992[(3)]	10,874[(3)]	10,520
Jingyi Secondary School				
– Normal program (普高學籍班)	884	774	617	591
– Training program (培訓班)	470	462	332	270
– Rong Tong program (融通班)	—	—	99	74
Subtotal	1,354[(4)]	1,236[(4)]	1,048[(4)]	935[(5)]
Total (our initially-controlled schools)	12,506	12,228	11,922	11,455
College of Information and Business[(6)]				
– Bachelor's degree program (本科)	15,722	16,230	16,372	16,946
– Junior college program (專科)	2,000	2,661	2,153	1,518[(7)]
– Undergraduate-oriented junior college program[(8)] (專升本)	1,286	1,483	1,759	2,149
Subtotal	19,008	20,374	20,284	20,613
Total (our schools)[(2)]	—	—	—	32,068

Notes:

* The student enrollment information during the Track Record Period was based on the official records of the relevant PRC education authority or the internal records of our schools, as the case may be.

(1) Despite the fact that our school year generally ends in July/August, for consistency purposes, we use December 31 to present our business operating data in this prospectus.

(2) As explained in footnote (6) below, total number of student enrollments of our schools is applicable only for the 2018/2019 school year.

(3) The number of student enrollments at Changzheng College decreased during the Track Record Period primarily because (i) the policy relating to freshmen military enlistment changed since 2015 where enlisted freshmen may be able to retain their enrollment qualification pursuant to which they may be able to enroll in colleges and universities within two years of their discharge from the military. In 2016, 2017 and 2018, approximately 124, 169 and 165 freshmen, respectively, were enlisted in the military, which were accounted for in the enrollment quotas but not included in the number of student enrollments; and (ii) due to the encouragement from the PRC government to allow college students to become entrepreneurs and the fact that Zhejiang province is a well-known hub for e-commerce start-ups, certain of the students at Changzheng College had strong enthusiasm to suspend their studies temporarily to start their businesses. In 2016, 2017 and 2018, approximately 30, 41 and 30 students, respectively, suspended their studies temporarily to start their businesses or career or for personal reasons.

(4) The number of student enrollments at Jingyi Secondary School decreased in the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years mainly because Jingyi Secondary School admitted a significant number of 10th grade students in the 2013/2014 and 2014/2015 school years due to relatively flexible enrollment quotas implemented by Yueqing Education Bureau at that time. These students graduated in the subsequent three school years during which time student enrollment quotas were more strictly enforced by Yueqing Education Bureau, thereby reducing the total number of student enrollments in these school years.

(5) The number of student enrollments at Jingyi Secondary School decreased for the 2018/2019 school year mainly because the local market competition intensified and Jingyi Secondary School increased tuition fee rates, which resulted in a decrease in the number of student applicants for such school year.

(6) College of Information and Business has been a joint venture school of our Group during the Track Record Period and up to July 5, 2018, pursuant to which its student enrollment figures were not aggregated into the total number of student enrollments of our schools. However, pursuant to the agreement between us and Zhongyuan University of Technology in March 2017, College of Information and Business will be transformed from an independent college to a wholly privately-owned undergraduate college, pending approval from the relevant PRC government authorities. In connection with the application for transformation, the Henan Department of Education approved the amendments to the articles of association of College of Information and Business in relation to a change in the decision-making mechanism of the board of directors on July 5, 2018. Beginning on July 6, 2018, the financial results of College of Information and Business had been consolidated into the financial statements of our Group, and the student enrollment figures of College of Information and Business were aggregated into the total number of student enrollments of our schools subsequent to July 5, 2018.

(7) The number of student enrollments for the junior college program at College of Information and Business decreased from 2,153 for the 2017/2018 school year to 1,518 for the 2018/2019 school year mainly because we made conscious effort to scale down our junior college program to reserve more capacity for bachelor's degree program.

(8) Undergraduate-oriented junior college program at College of Information and Business is a degree-granting program that recruits graduates of the junior college program offered by College of Information and Business and other junior colleges in the PRC to attend the undergraduate program offered by College of Information and Business. Students are required to take the national standardized examination in connection with their applications.

The following table sets forth information relating to the student capacity and utilization rate by school for the school years indicated:

	Student Capacity(1)(2)				School Utilization Rate(1)(3)(6) (%)			
	School Year				School Year			
School Name	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Changzheng College	11,472	11,472	11,472	11,472(4)	97.2	95.8	94.8	91.7
Jingyi Secondary School	1,644	1,562(5)	1,144(5)	1,144	82.4	79.1	91.6	81.7
Total (our initially-controlled schools)	13,116	13,034	12,616	12,616	95.3	93.8	94.5	90.8
College of Information and Business	22,315	22,947	22,947	22,947	85.2	88.8	88.4	89.8
Total (our schools)	—	—	—	35,563	—	—	—	90.4

Notes:

* The student capacity information during the Track Record Period was based on the internal records of our schools.

(1) Despite the fact that our school year generally ends in July/August, for consistency purposes, we use December 31 to present our business operating data in this prospectus.

(2) All of our schools are boarding schools. In addition, the capacity for student enrollment at each of our schools is restricted by the approximate number of beds available in student dormitories and the student enrollment quota approved and adjusted by the relevant PRC education authorities.

(3) School utilization rate is calculated by dividing the number of student registered to attend our schools for a particular school year by the number of student capacity for the same school year.

(4) A new student dormitory at Changzheng College is currently under construction, which is expected to be completed during the 2019/2020 school year.

(5) The student capacity of Jingyi Secondary School decreased from 1,644 for the 2015/2016 school year to 1,562 for the 2016/2017 school year and further to 1,144 for the 2017/2018 school year mainly because we improved our

accommodation conditions by decreasing the number of beds from eight to six per room in certain dormitories in 2017, and further demolished the buildings used as students dormitories that were not in compliance with the applicable PRC laws and regulations in 2018. See "— Properties" in this prospectus.

(6) The school utilization rate of Changzheng College decreased during the Track Record Period mainly because the decrease in the number of student enrollments during the same period. The school utilization rate of Jingyi Secondary School decreased from 82.4% in the 2015/2016 school year to 79.1% in the 2016/2017 school year mainly because the decrease in the number of student enrollments outpaced the decrease in student capacity. It increased to 91.6% in the 2017/2018 school year because the decrease in the student capacity outpaced the decrease in the number of student enrollments. The school utilization rate of Jingyi Secondary School decreased to 81.7% in the 2018/2019 school year primarily due to a decrease in the number of student enrollments for the 2018/2019 school year as a result of intensified market competition while the student capacity remained the same as that of the 2017/2018 school year. The school utilization rate of College of Information and Business increased from the 2015/2016 school year to the 2018/2019 school year primarily because the increase in the number of student enrollments outpaced the increase in the student capacity during the same period.

The number of students we are able to admit for enrollment at each of our schools for each school year is set and approved by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrollment for graduate and undergraduate programs are subject to approval of the MOE, while student enrollment for junior college are subject to approval of the relevant provincial educational authorities. The Notice of the Ministry of Education on Enrollment of Ordinary Colleges and Universities in 2016 (《教育部關於做好 2016 年普通高校招生的通知》) instructs universities and colleges to further improve their respective enrollment plan by taking into account a number of factors, including, among others, the number of students currently enrolled, school operational conditions and employment status of such school's graduate students. The Implementation Rule on the Middle School Examination and High School Recruitment Work in Yueqing City in 2018 (《樂清市2018年初中學業水平考試與高中招生工作實施辦法》) instructs private high schools to improve their enrollment plans by taking into account a number of factors and the enrollment plans should be approved by Yueqing Education Bureau and the private high schools must announce the tuition fee standards to the public before June 10, 2018. During the Track Record Period, a substantial majority of our students were boarding students.

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. We generally raise tuition fee rates for certain majors at our schools from time to time to reflect our enhanced educational quality and increased operating costs. For the 2016/2017 school year, we increased tuition fee rates at Changzheng College by an average of RMB2,000 per student per school year for all major offerings at the school. For the 2017/2018 school year, we also increased boarding fee rates at Changzheng College from RMB1,200 and RMB1,500 per student per school year for the six-person dormitory and four-person dormitory, respectively, to RMB1,500 and RMB2,000 per student per school year for the six-person dormitory and four-person dormitory, respectively. For the 2018/2019 school year, we raised tuition fee rates for certain newly admitted students at our Jingyi Secondary School based on their Zhongkao grades. In addition, for the 2017/2018 school year, we increased the tuition fee rates for most of the major offerings by the bachelor's degree program and undergraduate-oriented junior college program at College of Information and Business by RMB900 or RMB1,900 per student per school year, and we increased the tuition fee rates for approximately 25% of the majors offered by the junior college program at College of Information and Business by RMB1,500 or RMB2,000 per student per school year. New tuition fee rates are only applicable to newly enrolled students while the tuition fees for students who have already enrolled at our school will remain unchanged.

The following table sets forth the tuition fee information by school for the periods indicated:

School Name	Tuition Fees(1)(2) School Year 2015/2016	2016/2017	2017/2018	2018/2019
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Changzheng College				
– Junior college program	10,000~12,800	12,000~14,800	12,000~14,800	12,000~14,800
Jingyi Secondary School(3)(4)				
– Normal program (普高學籍班)	8,300~8,900	8,700~10,500	9,600~9,800(5)	15,600~16,200(6)
– Training program (培訓班)	9,900~10,900	12,100~14,100	15,200~21,400	30,200~33,600(6)
– Rong Tong program (融通班)	N/A	N/A	21,400	20,000~22,000(6)
College of Information and Business				
– Bachelor's degree program (本科)	11,000~15,000	11,000~15,000	12,900~15,000	12,900~15,000
– Junior college program (專科)	8,000~10,000	8,000~10,000	9,500~10,000	9,500~10,000
– Undergraduate-oriented junior college program (專升本)	11,000~15,000	11,000~15,000	12,900~15,000	12,900~15,000

Notes:

(1) Tuition fees shown above for all of our schools are applicable to newly enrolled students in the relevant school years only.

(2) Tuition fee range for Changzheng College and College of Information and Business represents the tuition fees of the majors they offer.

(3) During the Track Record Period, Jingyi Secondary School comprised three categories of students and charged a different fee standard for each category of students in the following manner: (i) students enrolled in the normal program are admitted by Jingyi Secondary School with their Zhongkao scores over the minimum admission thresholds stipulated by the Yueqing Education Bureau and students that first enrolled in the Rong Tong program who subsequently passed the examinations required by the local education bureau at the end of their first year of enrollment. We charge tuition fees for such students with reference to the market standards in the area where Jingyi Secondary School operates; (ii) students enrolled in the training program took classes with Jingyi Secondary School but would not have the opportunity to register their student status with Jingyi Secondary School; and (iii) students enrolled in the Rong Tong program are admitted by Jingyi Secondary School with their Zhongkao scores below the minimum admission thresholds stipulated by the Yueqing Education Bureau but still prefer to study in a regular high school rather than continuing their education in secondary vocational schools. Students enrolled in the Rong Tong program may get opportunity to register their student status with Jingyi Secondary School and enroll in the normal program from the second year of their enrollment if they are able to pass the examinations required by the local education bureau. Beginning in the 2019/2020 school year, the training program will be conducted through Jiaxin Training which is a subsidiary of Ningbo Jiaxin, the WFOE 1 of our Group. During the Track Record Period, we charged different tuition fee rates for students based on their Zhongkao scores and received a portion to be paid in advance for certain students at the time when such students first enrolled in the school, which were recognized proportionately for the subsequent three school years. On September 12, 2018 and March 1, 2019, Jingyi Secondary School filed its tuition fee standards and training fees standards from the 2011/2012 school year to the 2018/2019 school year (first semester) and the 2018/2019 school year (second semester), respectively, for its normal program, training program and Rong Tong program to Yueqing Education Bureau and Yueqing Development and Reform Bureau. On the same dates, Yueqing Education Bureau and Yueqing Development and Reform Bureau issued confirmations confirming that the tuition fee standards and training fee standards charged by Jingyi Secondary School during such periods were in compliance with the applicable laws and regulations. Jingyi Secondary School will cease to admit students in the training program beginning in the 2019/2020 school year.

(4) Jingyi Secondary School generally increased tuition fee rates for all types of students for each school year during the Track Record Period to reflect improved education quality and the competition in the local market.

(5) For the normal program, in addition to the standard tuition fee rates for each semester, Jingyi Secondary School also charged one-off advanced fees additionally for the newly enrolled students in the 2014/2015 school year. Such additional fees were amortized in the 2014/2015, 2015/2016 and 2016/2017 school years. In the 2017/2018 school year, since such fees had already been fully amortized in the three previous school years, no more amortization of such fees was included in the normal program tuition fee rates. As a result, the high end of the tuition fee rates for the 2017/2018 school year slightly decreased. In addition, Jingyi Secondary School charged one-off advanced fees additionally for all students admitted in the 2018/2019 school year.

(6) We adjusted the tuition fee rates for Jingyi Secondary School for the 2018/2019 school year by taking into consideration of the tuition fee rates of other private high schools in Yueqing, Zhejiang province.

We generally require our students to board at our schools. For the 2018/2019 school year, we charge boarding fees per student from RMB1,500 to RMB2,000 at Changzheng College, RMB800 at Jingyi Secondary School and RMB800 to 1,100 at College of Information and Business.

The following table sets forth the breakdown of our revenue for the periods indicated:

	Revenue					
	Year ended December 31,					
	2016		**2017**		**2018**	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Tuition fees	139,984	86.2	147,589	85.8	265,772	88.1
Boarding fees	15,535	9.6	15,935	9.3	26,589	8.8
Other education service income	6,962	4.2	8,469	4.9	9,457	3.1
Total	162,481	100.0	171,993	100.0	301,818	100.0

The following table sets forth the average tuition fee and the average boarding fee by school for the periods indicated:

	Average tuition fee[(1)]			**Average boarding fee[(1)]**		
	Year ended December 31,			**Year ended December 31,**		
School Name	**2016**	**2017**	**2018**	**2016**	**2017**	**2018**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
Changzheng College	12,261	13,044	13,904	1,360	1,417	1,573
Jingyi Secondary School[(2)]	6,729	9,310	10,173	752	848	766[(3)]
College of Information and Business	11,254	11,862	12,173	944	1,010	1,002[(3)]

Notes:

(1) The average tuition fee per student and the average boarding fee per student are calculated by dividing the revenue generated from tuition fees and boarding fees, respectively, by all students for the periods indicated by the number of our students enrolled as of the end of such period.

(2) For purposes of determining the average tuition fee and average boarding fee for Jingyi Secondary School, the student enrollment only includes those students enrolled in the normal program and does not include those enrolled in the training program and Rong Tong program, the fees of which were recorded in the revenue as other education service income in our consolidated financial statements.

(3) The average boarding fee for Jingyi Secondary School in the 2018/2019 school year decreased because more students under the normal program decided to commute to the school for the 2018/2019 school year. The average

boarding fee for College of Information and Business in the 2018/2019 school also decreased due to more students choosing to live in dormitory rooms with six beds, which generally command lower boarding fee rates than rooms with four beds in the 2018/2019 school year.

We typically charge our students fees comprising tuition fees and boarding fees. The school year for Changzheng College and College of Information and Business is generally from September of the current year to August of the following year, whereas the school year for Jingyi Secondary School is usually from August of the current year to July of the following year. For our Changzheng College, tuition for each school year is paid in advance prior to the start of each school year and we recognize revenue proportionately over the relevant period of the school program (typically nine months in the school year). With respect to boarding fees for each school year, we also require our students to pay in advance before the beginning of each school year and recognize revenue proportionately for nine months. With respect to our Jingyi Secondary School, students under the normal program, the Rong Tong program and the training program paid us fees in advance for three school years (six semesters) at the time they first enrolled in Jingyi Secondary School, and we recognized revenue proportionately over the relevant period of the school program.

With respect to College of Information and Business, we typically charge tuition fees and boarding fees for each school year in advance prior to the start of each school year and recognize them proportionately over the relevant period of the school program (typically nine months in the school year for tuition fees, 12 months for non-graduating students and 10 months for graduating students for boarding fees). 65% of the income and loss relating to the operation activities in the Main Campus, which is determined as the school revenue comprising tuition fees and boarding fees less school operating costs for the applicable school year, was recorded as share of profits of joint ventures until July 5, 2018 based on the cooperation agreements we had with Zhongyuan University of Technology.

The tuition fee rates for our schools are generally subject to the approval of the relevant government pricing authorities in the areas where we operate. Under the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費暫行管理辦法》) promulgated by the PRC government authorities on March 2, 2005, the types and amounts of fees charged by a private school providing formal education at different levels must be approved by the relevant governmental pricing authority. However, as of the Latest Practicable Date, certain of our schools were permitted to have the discretion to adjust the tuition fee rates they charge, subject to the filing requirements with the relevant government authorities. For instance, according to the Reply on the Pilot Program of Zhejiang Changzheng Vocational and Technical College to Expand the Autonomy of Fee Collection (《關於浙江長征職業技術學院擴大收費自主權試點的批覆》) jointly issued by the Pricing Bureau of Zhejiang Province (浙江省物價局) and the Department of Education of Zhejiang Province (浙江省教育廳) in May 2016, Changzheng College has the discretion to set the tuition fee rates applicable to newly enrolled students beginning in the 2016/2017 school year based on its operating costs. Changzheng College is required to make appropriate filings with the Pricing Bureau of Zhejiang Province and the Department of Education of Zhejiang Province for each tuition fee rate adjustment. During the Track Record Period, we raised the tuition fees at Changzheng College in the 2016/2017 school year and we intend to further increase tuition fee rates for newly enrolled students in the 2019/2020 school year, which we believe are commensurate with the quality of education we provide and the cost of our school operations. In addition, as of the Latest Practicable Date, we were in the process of obtaining the approval from the MOE regarding the transformation of College of Information and Business, including our purchase of the remainder of the school capital contributor's interest in College of Information and Business held by Zhongyuan University of Technology. Before 2017, College of Information and Business was required to obtain prior approval from the relevant government pricing authorities in connection with any adjustment of the tuition fee standards. Since 2017, College of Information and Business has the discretion to set the tuition fee rates within the statutory upper limit that will be applicable to newly enrolled students, subject to the requisite filings to be made with the pricing authority of Henan province. We intend to increase our tuition fee rates applicable to newly enrolled students at College of Information and Business for the 2019/2020 school year.

Student Withdrawals and Refund

In the event that a student withdraws during the school year, we have refund policies in place at each of our schools, setting forth the formulae for calculating the amount of tuition fees and boarding fees that can be refunded to such student based on when he or she leaves the school. For Changzheng College, during the school year, we generally determine the monthly tuition fees and boarding fees a student is required to pay based on the total amount of tuition fees and boarding fees collected from such student divided by the total number of months in a school year. Based on the actual time such student has enrolled and boarded at Changzheng College, tuition fees and boarding fees to be refunded shall equal to the total amount of tuition fees and boarding fees paid by such student less an amount of tuition fees and boarding fees that is equal to the number of months such student has spent enrolling and boarding at the school multiplied by the monthly tuition fees and boarding fees he or she is required to pay. For the purpose of determining the refund, the time such student is enrolled and boarded at the school begins with the commencement of the current school year and ends on the date such student completes his or her withdrawal or transfer. In the event that a student leaves Changzheng College before the end of the month, it will be treated as if he or she has spent the entire month enrolled and boarded at the school for the purpose of calculating the refund.

With respect to Jingyi Secondary School, the refund policy involves the following: we generally determine the monthly tuition fees and boarding fees a student is required to pay based on the total amount of tuition fees and boarding fees collected from such student for a particular school semester divided by the total number of months during such school semester. Based on the actual time such student has enrolled and boarded at Jingyi Secondary School, tuition fees and boarding fees to be refunded shall equal to the total amount of tuition fees and boarding fees paid by such student less an amount of tuition fees and boarding fees that is equal to the number of months in the school semester such student has spent enrolling and boarding at the Jingyi Secondary School, multiplied by the monthly tuition fees and boarding fees he or she is required to pay. The refund request shall be submitted by the student in writing, and be approved by the head teacher, the head of the management department and the principal of the school. The written application form, tuition fee and boarding fee payment receipts and the relevant supporting materials shall be submitted to the finance department of the school for refund.

With respect to College of Information and Business, according to the Notice of the Ministry of Education, the NDRC and the Ministry of Finance on Further Regulating the Management of College Education Fees (《教育部國家發展改革委財政部關於進一步規範高校教育收費管理若干問題的通知》), after a student pays the requisite tuition fees and boarding fees for the school year in which he or she is enrolled, if such student withdraws from the school or terminates his or her enrollment early, the remaining tuition fees and boarding fees reflecting the number of months remaining in the relevant school year will be refunded to such student.

During the Track Record Period, an aggregate of approximately 257 students withdrew from College of Information and Business, whereas approximately 103 students withdrew from Changzheng College. These students withdrew from their enrollment primarily because (i) certain students preferred to work in family-run businesses prior to graduation; (ii) some students chose not to return to schools after being discharged from military service; and (iii) a limited number of students who did not perform well academically decided not to continue their enrollment. The following table sets out the number of students who withdrew or transferred from each of our schools for the school years indicated:

	Number of Students Withdrew			
	School Year			
School Name	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Changzheng College	33	18	21	31
Jingyi Secondary School	0	1	1	3
Subtotal (our initially-controlled schools)	33	19	22	34
College of Information and Business	137[1]	33	40	47
Total (our schools)	170	52	62	81

Note:

(1) For the 2015/2016 school year, 64 students were forced to withdraw due to absence of classes for more than two weeks without any justified excuse and 73 students withdrew voluntarily due to personal reasons.

The table below sets forth the amount of tuition each of our schools refunded to the students for the periods indicated:

	Tuition Refunded		
	Year ended December 31,		
School Name	**2016**	**2017**	**2018**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Changzheng College	224.0	131.0	455.0
Jingyi Secondary School	—	—	28.0
Subtotal (our initially-controlled schools)	224.0	131.0	483.0
College of Information and Business	180.8	265.5	363.0
Total (our schools)	404.8	396.5	846.0

Changzheng College

Overview

Zhejiang Changzheng Vocational & Technical College is a junior college located in Hangzhou, Zhejiang province, the PRC, which provides formal junior college education. The school was co-sponsored by Zhejiang Committee of the Revolutionary Committee of the Chinese Kuomintang (中國國民黨革命委員會浙江委員會) and JH Holdings Group. Changzheng College's educational philosophy is "to maintain teaching quality, to improve management system" (質量立校，制度治校，特色興校，人才強校)." Its educational goal is to build a high level private higher institution.

The school has teaching buildings, experimental training buildings, a library, a gymnasium and student dormitories, among other school facilities. As of December 31, 2018, Changzheng College had eight on-campus training bases, including, among others, training bases for financial accounting, cross-border e-commerce, service administration, applied linguistics, network information, robot applications and project management, and had approximately 115 on-campus practical training rooms. The school's e-commerce vocational education training base has been supported financially by the PRC central government, whereas the financial accounting training base has been identified by the provincial government of Zhejiang as a model training base.

As of December 31, 2018, the school had a total of 10,520 students under enrollment and employed 396 teachers. For the 2017/2018 school year, students from various provinces, autonomous regions and municipalities across China were admitted to and enrolled in the school based on their scores in Gaokao and in accordance with the national and local admission standards and procedures.

Curriculums and Majors

Changzheng College currently has nine departments, including humanities, basic course teaching, construction engineering, ideological and political theory teaching, adult education, management, economics, computer and information technology and finance and accounting. It offers approximately 33 majors across seven key subject categories. These categories are financial accounting, business and trade, operation and management, applied linguistics, computer information, intelligent technologies and construction and engineering management. The majors include, among others, accounting, construction project management, software technology, international economy and trading, human resource management, and business English. Among the majors Changzheng College offers, international economics and trade has been designated as a "provincial advantage major" by the Zhejiang Department of Education, whereas several other majors, including accounting and management of business enterprises, have been recognized by the Zhejiang Department of Education as "provincial specialty majors."

We generally design curriculums based on the characteristics of the school, whereas the contents of the courses we offer are usually based on the positioning of the employment opportunities in the market place through our knowledge and research. We provide tailored training for technical talents that reflects the market trend and demand. In addition, we review and adjust major and course offerings through thorough market research on potential employment developments and the changes in the labor market.

Examinations and Grade Assessment

Changzheng College administers examinations at the end of each semester to test students' understanding in various subject matters. The final grade a student receives for a particular course generally consists of his or her performance in the written examinations and/or coursework assessment. The examinations were developed by the teachers who teach the relevant courses and primarily take the form of closed book and/or open book tests, and course work assessments consist of projects and other forms of assessment, including students' participation in class discussions, their performance in written papers, homework and quizzes. In certain relevant cases, such as practical training programs or internships, final grades also include the results of their internship evaluations and training and practical examinations. The examinations are generally formulated by the relevant teachers based on the teaching syllabuses and approved by the teaching and research office and/or the dean's office at Changzheng College.

Graduation and Employment

Historically, Changzheng College has achieved high initial employment rates for graduates. For the 2015/2016, 2016/2017, 2017/2018 school years, Changzheng College had 3,776, 3,612 and 3,846 graduates, respectively, and the initial employment rates were 98.0%, 98.0% and 98.1%, respectively. Comparatively, the average initial employment rates in Zhejiang province for the same school years were 97.1%, 97.5% and 97.7%, respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from Changzheng College for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2015/2016		2016/2017		2017/2018	
Type of Graduates	Number of Graduates	Initial Employment Rate (%)	Number of Graduates	Initial Employment Rate (%)	Number of Graduates	Initial Employment Rate (%)
Junior college program	3,776	98.0	3,612	98.0	3,846	98.1

Due to our dedication to developing students' practical skills, our students have received numerous awards and accolades for their achievements. During the Track Record Period, several of our students have won the second and third prize at national subject matter competitions, and 136 students have received at least a third prize in the provincial subject matter competitions. In addition, during the Track Record Period, certain graduates from Changzheng College successfully pursued undergraduate programs in other universities in the PRC, such as the Zhejiang University of Technology. According to the Frost & Sullivan Report, the number of the graduates at Changzheng College who go on to pursue undergraduate programs in other universities was the largest among private higher education institutions providing formal junior college education in Zhejiang province.

School-Enterprise Collaboration Programs

We emphasize school-enterprise collaboration so that our students can learn from industry experts while receiving valuable practical training, which we believe will prepare them well for the job market after graduation. Changzheng College has closely cooperated with various reputable enterprises and institutions during the Track Record Period. The areas of cooperation have been broad, which range from curriculum and syllabus development to co-establishment and operation of practical training bases. With respect to curriculum and syllabus formulation, enterprises typically introduce certain industry experts to us who will undertake a series of actions involving Changzheng College, including, but not limited to, participating in the steering committee for professional development, providing guidance on course work and majors construction, and participating in the formulation of talent training schemes, as well as finalizing key curriculum systems. In terms of the establishment and operation of external practical training bases, the school-enterprise collaboration scheme of Changzheng College primarily focuses on providing hands-on practical training to students so that the enterprises we collaborate with are able to secure a stable source of practical talent to join their workforces upon students' graduation.

As of December 31, 2018, Changzheng College had entered into a collaboration agreement with Hangzhou International Chamber of Commerce and had co-established external practical training bases with numerous enterprises and institutions. As of the same date, the school had more than 500 on-campus and external practical training bases. In addition, Changzheng College cooperated closely with numerous enterprises to formulate and design over 160 applied technical courses to enhance students' practical training.

Jingyi Secondary School

Overview

Jingyi Secondary School started to provide high school education in 1997 and it mainly focuses on providing private education for high school students. The school's educational goals are to "teach students to learn, to be human, to be happy, and to be themselves" (教會學生學習，教會學生做人，教會學生快樂，讓學生考上自己理想的大學).

As of December 31, 2018, the school had a total of approximately 935 students under enrollment and employed approximately 45 teachers. For the 2018/2019 school year, while most of the school's students are from Zhejiang province, the remainder came from various provinces, autonomous regions and municipalities across China. The students were generally admitted to and enrolled in Jingyi Secondary School based on their scores in Zhongkao and in accordance with the national and local admission standards and procedures.

School Facilities

Jingyi Secondary School has teaching buildings, a science and technology building, an administrative building, classrooms and student dormitories. It also has numerous sporting facilities, such as outdoor track and field, to encourage students to participate in physical activities in order to improve their health. To further stimulate students' interest in learning and to create conducive educational environment, Jingyi Secondary School has numerous multimedia rooms, laboratories and computer rooms, to provide students with visual, audio and hands-on practical training.

Students and Programs

We categorize the students at Jingyi Secondary School into three categories: (i) students who are admitted to attend Jingyi Secondary School based on the fact that their Zhongkao scores are above the required threshold and whose student status (學籍) is registered with Jingyi Secondary School are considered regularly admitted students. Regularly admitted students are entitled to participate in Gaokao as students of Jingyi Secondary School under its normal program; (ii) students whose Zhongkao scores are below the required thresholds and who are admitted to attend Jingyi Secondary School in accordance with special policies issued by governmental authorities in Yueqing since September 2017 are considered students admitted under Rong Tong program (融通班). Students under the Rong Tong program have opportunities to obtain and register their student status (學籍) with Jingyi Secondary School if they pass the designated examination of the local education bureau; and (iii) other students whose Zhongkao scores are below the required thresholds and who study in Jingyi Secondary School are considered students under training program. Students under the training program would not have any opportunity to obtain and register their student status (學籍) with Jingyi Secondary School, however, they are eligible to participate in Gaokao independently. We charge different tuition fee rates for students in these programs at Jingyi Secondary School. For details of the different tuition fee rates during the Track Record Period, see the section headed "— Our Schools — Tuition Fees and Boarding Fees" in this prospectus. We will cease to admit students in the training program beginning in the 2019/2020 school year.

Curriculums and Diploma

The core curriculum is generally designed with reference to the ordinary high school curricular standards formulated by the Zhejiang education authorities. In accordance with the curriculum requirements of the Zhejiang Department of Education, Jingyi Secondary School currently offers 13 main courses in Chinese, mathematics, English (while a small number of its students studies Japanese), technology, politics, history, geography, physics, chemistry, biology, sports, arts and music. Among them, Chinese, mathematics, English, technology, politics, history, geography, physics, chemistry and biology are 10 subjects that are part of Zhejiang academic proficiency examinations. Chinese, mathematics and English are required subjects in Gaokao while three of the seven courses in technology, politics, history, geography, physics, chemistry and biology are selective courses in connection with Gaokao.

To provide our high school students a diversified and comprehensive educational platform, we have formulated and offer special-interest elective courses, including, among others, computer assembly and maintenance, mathematical modeling, color foundation, poster design, photography art, character sketching and studies of Chinese ancient civilization. We aim to expose our students to a wide range of practical skills, which we believe will allow them to be more adequately prepared for higher education and the real world.

The curriculums at Jingyi Secondary School are typically formulated based on the requirements set by the MOE and utilize additional teaching materials to supplement students' learning. These additional teaching materials are generally purchased from various authorized publishing houses in the PRC. The local education authority offers high school diplomas to our graduating high school students at Jingyi Secondary School.

Grade Assessment and Graduation

Besides Gaokao, our high school students at Jingyi Secondary School are required to participate in regional and city-wide standard subject class examinations during the course of their enrollment. The structure, content and grading scales of these examinations are all set in accordance with the requirements of the national curriculum standards.

For Gaokao administered in 2016, 2017 and 2018, approximately 90.2%, 93.7% and 88.3%, respectively, of the students at Jingyi Secondary School who participated in the examination were accepted into various universities and colleges in China.

College of Information and Business

Overview

Zhongyuan University of Technology College of Information and Business is an independent college located in Zhengzhou, Henan province, China, which provides formal undergraduate education and junior college education. It has been our joint venture school since November 2007 until July 2018. The school was recognized by the MOE as an independent college in December 2003. College of Information and Business's educational philosophy is "to focus on service as the principle and employment as the guidance, use special characteristics to create brand and hope to develop with quality" (以服務為宗旨，以就業為導向，以特色創品牌，以品質謀發展).

As an independent college, College of Information and Business is a separate and independent legal entity from Zhongyuan University of Technology, and carries out its own day-to-day school administration, human resources management, student recruitment, curriculum and major design and formulation and financial accounting. Zhongyuan University of Technology is one of the school sponsors of College of Information and Business. Pursuant to the agreement between the school sponsors of College of Information and Business entered into on September 16, 2006 and the supplemental agreements entered into on October 18, 2006, December 11, 2007, November 30, 2010 and December 4, 2014, (i) College of Information and Business consists of the Main Campus and the North Campus, the latter of which will accommodate up to 4,000 students admitted by College of Information and Business; (ii) 35% of the investment to be made to College of Information and Business should be made by Zhongyuan University of Technology and 65% to be made by JH Holdings Group. Zhongyuan University of Technology should contribute intangible assets, including, but not limited to, school brand as its investment, and JH Holdings Group should make investment to College of Information and Business by contributing the land, buildings and relevant facilities; (iii) the assets of the North Campus should be contributed by and belong to Zhongyuan University of Technology, and all assets of the Main Campus should be invested by JH Holdings Group and belong to College of Information and Business; and (iv) the total income and loss relating to the operation in the North Campus are all allocated to Zhongyuan University, and the income and loss relating to the operation in Main Campus are allocated to Zhongyuan University as to 35% and to JH Holdings Group as to 65%. Based on the foregoing, from 2007 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remaining 65.0% of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures.

According to the agreement on transformation we entered into with Zhongyuan University of Technology on March 28, 2017 (as supplemented on June 12, 2018), we commenced the transformation filings work on the date of the initial transformation agreement. As stipulated in the agreement on transformation, the post-termination arrangements are divided into two periods, namely, the filing period and the transitional period.

The filing period begins on March 28, 2017 and lasts until the date we obtain approval from the MOE for the transformation. During the filing period, all of the benefits and risks in relation to the North Campus will still be entitled by Zhongyuan University of Technology. However, during such period, except for the payment relating to the North Campus, College of Information and Business shall have no additional payment obligation to Zhongyuan University of Technology, whether monetary or otherwise.

The transitional period begins on the date we obtain the MOE approval and lasts until the date on which all of the students recruited under the name of College of Information and Business have graduated. During the transitional period, the income and loss generated from students admitted prior to the MOE approval date who study in the then North Campus shall still be entitled by Zhongyuan University of Technology. While all of the income and loss generated from the remaining students of College of Information and Business and all of the income and loss generated from the students admitted prior to the MOE approval date who study in the Main Campus shall belong to our Group.

Based on this arrangement, from the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures. Beginning on July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group.

College of Information and Business has teaching buildings, administrative buildings, experimental training buildings, a library, gymnasiums, indoor and outdoor sports facilities and student dormitories, among other school facilities. As of December 31, 2018, College of Information and Business had six key subject areas, comprising management, economics, engineering, arts, literature and law. The school had established three majors (mechanical manufacturing and automation, control theory and control engineering, and business management), which become provincial level key construction disciplines, and two provincial level experimental teaching demonstration centers, which primarily focus on clothing and textile design and economic management. Among the available majors College of Information and Business currently offers, seven were designated as provincial private higher education branded majors and four were designated as the pilot majors under the provincial comprehensive reform.

As of December 31, 2018, College of Information and Business had a total of 20,613 students under enrollment (comprising 16,946 students under the bachelor's degree program, 1,518 students under the junior college program and 2,149 students under the undergraduate-oriented junior college program) and employed 747 teachers. For the 2018/2019 school year, students from numerous provinces, autonomous regions and municipalities across China, were admitted to and enrolled in the school based on their scores in Gaokao and in accordance with the national and local admission standards and procedures.

Curriculums and Majors

College of Information and Business currently has ten departments, including business, accounting, politics, law and media, foreign languages, mechanical engineering, electrical engineering, information technology, construction engineering, artistic design and basic principles. It offers approximately 44 majors in the undergraduate program, including, among others, accounting, mechanical design and manufacturing and automation, architecture and network engineering. In addition, the school offers 16 majors under the junior college program, including accounting, engineering cost, multimedium technology, and clothing and apparel design. Among the majors College of Information and Business offers, accounting, information management and information system, English, clothing and apparel design have been designated by the Henan Department of Education as “provincial advantage majors,” whereas several other majors, including accounting, marketing, international economy and trading, have been recognized by the Henan Department of Education as “provincial specialty majors.” In addition to offering in-class courses under each of the majors, College of Information and Business provides students practical training courses based on the school’s education orientation, professional training objectives and specifications.

Similar to Changzheng College, we generally design curriculums at College of Information and Business based on the characteristics of the school and the make-up of its student body. We provide tailored in-class teaching and practical training to both undergraduate and junior college students. In addition, we review and adjust major and course offerings for the undergraduate program based on the market research published by the PRC government on the local economy and industry development, as well as the changes in the labor market, and for the junior college program, through our market research on potential employment developments and the changes in the labor market.

Junior College Program and Undergraduate Program

The undergraduate program at College of Information and Business typically requires four years of enrollment to graduate and a few majors, such as construction, require five years. The junior college program usually requires three years of enrollment before the students can obtain their diplomas. Certain students graduating from the junior college program at College of Information and Business are permitted to take the standardized undergraduate examination administered by the Henan Department of Education. If they achieve satisfactory scores as determined by the relevant education authorities, they will be able to enroll in the undergraduate program at College of Information and Business to continue their education. After successfully obtaining the required credits and satisfying other degree-granting conditions stipulated by the school, such students will be granted their undergraduate diplomas and certificates for the bachelor’s degree. In 2016, 2017 and 2018, approximately 21, 20 and nine junior college graduates at College of Information and Business were admitted to enroll in the undergraduate program at the school through this method.

Certain majors in the undergraduate program at College of Information and Business also admit graduates of junior college programs from other schools, including, among others, those students who focus on accounting, financial management, law, business administration, information technology and clothing and textile design, provided that such students take standardized undergraduate examination administered by the Henan Department of Education and achieve the required scores for enrollment.

Graduation and Employment

College of Information and Business has also achieved high graduate employment rates during the Track Record Period. For the 2015/2016, 2016/2017, 2017/2018 school years, the school had 4,726, 5,196 and 5,498 graduates, respectively, and their initial employment rates were 86.5%, 91.8% and 93.9%, respectively. Comparatively, the average initial employment rates in Henan province for the 2015/2016 and 2016/2017 school years were 81.1% and 82.1%, respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from College of Information and Business by program for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2015/2016		2016/2017		2017/2018	
Type of Graduates	Number of Graduates	Initial Employment Rate (%)	Number of Graduates	Initial Employment Rate (%)	Number of Graduates	Initial Employment Rate (%)
Bachelor's degree program	4,292	87.1	4,560	92.1	4,675	94.9
Junior college program	434	80.4	636	89.9	823	88.7
Total	4,726	86.5	5,196	91.8	5,498	93.9

School-Enterprise Collaboration Programs

College of Information and Business has launched in-depth cooperation with numerous enterprises and institutions in the PRC, which entails close school-enterprise collaboration that focuses on the development of applied technical talent through active participation in technical talent training through such enterprises. College of Information and Business has created eight applied technical majors, including, among others, flight services, investment, e-commerce, international economics and trade, accounting and English. The school effectively utilizes the actual industry experiences of the enterprises to strengthen the concept of practical training so that students are able to learn effectively through task-based training mode that is oriented towards the real enterprise environment. This close school-enterprise collaboration has yielded the introduction of more than 20 applied technical courses, such as VBSE financial comprehensive training, ERP financial comprehensive training, securities trading practice simulation, service skill practice, logistics resource planning simulation training, ERP sandbox enterprise management simulation, marketing ERP sandbox simulation, social networking services training, securities technical analysis and basic professional literacy courses. As of December 31, 2018, College of Information and Business had established approximately 126 external practical training bases with third-party enterprises and institutions and eight on-campus training bases. In the 2017/2018 school year, 3,634 students have participated in these programs.

STUDENTS AND STUDENT RECRUITMENT

We have been operating in the PRC private education industry since 1997 when Jingyi Secondary School was established and we believe the reputation and the scale of our schools, the competitiveness of the graduates at Changzheng College and College of Information and Business in the job markets, and the quality of our education, such as the comprehensiveness of our curriculums, the diversity of our major offerings and the qualification of our teachers, are key elements that attract our prospective students. In order to be enrolled at our schools, students applying for admission to Changzheng College and College of Information and Business are required to take Gaokao, achieve the required total score for one of the two colleges we operate, and follow the national and local admission standards and procedures. For admission to our Jingyi Secondary School, prospective students are required to take Zhongkao administered by the Zhejiang Department of Education. The number of students we are able to admit at each of our schools for each school year is set and approved by the relevant PRC education authorities. For all of our schools, we typically utilize official government online platforms, such as the official websites of the relevant PRC education authorities, to recruit and admit students. For Changzheng College and College of Information and Business, recruiting season generally begins in the spring of a calendar year and ends in August before the start of the new school year in September. In addition to recruiting students based on Gaokao, Changzheng College is permitted by the relevant education authorities in Zhejiang province to formulate and administer self-designed entrance examinations for certain majors.

To attract more high-quality applicants, we aim to improve the quality of education we provide, strengthen our marketing efforts, including emphasis on the geographic advantage of our schools, and improve the enrollment rate and initial employment rate of our schools (where applicable). In terms of our promotional efforts, we utilize a variety of marketing and recruitment tools. For example, at College of Information and Business, the promotional efforts mainly include, but are not limited to, (i) designing attractive and informative official school websites to promote our brand name and provide introductions of our schools, teachers, curriculums and other relevant information; (ii) utilizing various online and mobile social platforms, such as WeChat, to publicize the highlights of the school; (iii) collaborating with local media to publicize the achievements of certain successful alumni and/or existing teachers and students; and (iv) publishing school brochures and other promotional materials centrally on official websites of provincial education authorities or in authoritative education magazines. In addition, since many of the students at College of Information and Business graduated from certain model high schools, we focus on concentrated promotion and advertisement by setting billboards and brochures year-round at these schools, as well as placing student recruitment advertisements on numerous local high school newspapers in Henan province. We also send relevant recruitment personnel to local high schools to conduct additional promotional and recruitment activities.

In addition to the foregoing, promotional activities at our Changzheng College include dispatching teachers and recruitment personnel to relevant high schools in various provinces to meet with prospective students face-to-face to promote the school. Changzheng College also cooperates with notable media news outlets and magazines to place advertisements, which include government examination institutes in several provinces, including Zhejiang Educational Science and Technology Channel Recruitment

Hotline, Zhejiang Education Newspapers and Periodicals, Zhejiang Daily, Zhejiang Online, China Online and Anhui Youth Daily, among others.

At Jingyi Secondary School, our promotional activities primarily include on-site promotions in local high schools before Zhongkao.

CAREER PLANNING INITIATIVES AND GRADUATE EMPLOYMENT ASSISTANCE

As a formal higher education service provider, we consider the graduate employment rates at our Changzheng College and College of Information and Business as a key measurement of our educational quality. We have established a comprehensive system of employment and entrepreneurship guidance to our students. Relevant measures include:

- *Curriculum planning:* We generally map out comprehensive career planning steps for our students, ranging from developing career awareness and setting career goals to offering relevant career-oriented courses, enhancing practical training and improving job-seeking skills. Relevant courses include career planning, innovation and entrepreneurship and career guidance, among others;

- *Students' practical training platforms:* We strive to further enhance our students' employment and entrepreneurship skills through the expansion of practical training base construction (實訓基地建設) and the deepening of school-enterprise collaboration. We aim to continue to improve and refine our "teacher-friend scheme" and related activities whereby certain of our graduating students are paired with experienced industry experts/teachers to obtain relevant career guidance; and

- *Employment opportunity information systems:* We are actively expanding employment channels in critical industries and market sectors, improving employment and entrepreneurial information systems and related services so that graduating students can timely obtain critical employment-related information.

We formulate our overall strategic decisions regarding school-enterprise cooperative programs and numerous valuable internship and practical training opportunities for all of our Changzheng College and College of Information and Business. We generally delegate the matters relating to graduate employment to the graduate employment office at each of our Changzheng College and College of Information and Business, which is usually responsible for, among other things, (i) formulating, consolidating, verifying and reporting graduate career placement strategies; (ii) providing training to career placement officials; (iii) arranging employment guidance sessions for our students; (iv) exploring and developing relevant job markets for graduates; (v) organizing on-campus recruitment fairs; and (vi) keeping track of graduates' employment status. For details of our graduates' employment rates for each of our Changzheng College and College of Information and Business, see the section headed "— Our Schools" in this prospectus.

To further assist our graduates to secure initial employment, we have also organized on-campus recruiting events at College of Information and Business during the fall and spring semesters and at Changzheng College during the fall semester to introduce numerous enterprises and potential employers to graduating students. In 2018, over 300 enterprises attended such on-campus recruiting events at our Changzheng College and College of Information and Business and provided initial employment opportunities to over 8,000 graduating students from both schools.

College of Information and Business has engaged third-party professional consulting firms to conduct satisfaction survey of employers regarding the quality of our graduates. According to the report published by the Education Evaluation Center of Henan Province in December 2018, approximately 88.5% of the employers were satisfied with the professional skills and quality of the graduates from College of Information and Business. Similarly, the Education Evaluation Center of Zhejiang Province also conducted comprehensive surveys on a number of quality variables of the graduates from Changzheng College, such as their professional skills, innovative capabilities, management capabilities, communication skills, practical abilities and psychological make-up and ability to counter stress, and concluded that employers were overwhelmingly satisfied with their on-the-job performance.

SIMULATED WORKPLACE TRAINING AND INTERNSHIPS

To give students ample opportunities to perfect their practical knowledge and skills, we have constructed numerous laboratories at our Changzheng College and College of Information and Business. These laboratories provide enterprise-like simulated training environment and offer specific task-oriented training programs so that our students can seamlessly transition from in-class learning to obtaining real work-like experience. In order to better prepare our students to face challenges professionally after graduation and provide them with more ideal job prospects, certain of our major courses are taught in the form of simulation training.

We also encourage our students to seek internships during the course of their enrollment at our Changzheng College and College of Information and Business to receive first-hand exposure to real-life working environment. Students generally obtain internships on their own or through various school-enterprise collaboration programs and the external practical training bases we have established with our collaboration partners. Similar to simulated workplace training, we believe internships can provide further practical training to our students and better prepare them for future employment.

TEACHING STAFF, RECRUITMENT, TRAINING AND EVALUATION

Our Teaching Staff

We believe the quality of our teachers is one of the most vital factors affecting our educational quality and future growth and success. Before hiring each teacher, we usually consider his or her education background and/or performance in the interview. We prefer to recruit teachers who have the following characteristics: (i) have sufficient prior teaching experience or teaching track record; (ii) are dedicated to teaching and improving students' academic performance and practical skills; (iii) demonstrate strong command of their subject areas; (iv) can effectively implement tailored teaching methods; and (v) possess strong communication, language and interpersonal skills. We also prefer to recruit teachers who have master's degree or above, and for certain practical/vocational subjects, those that hold relevant professional and/or technical qualifications. As of December 31, 2018, approximately 99.0% of our teachers had a bachelor's degree or above, and approximately 67.8% had a master's degree or above.

The following table sets forth the number of our teachers by school as of the dates indicated:

	Number of Teachers(1)			
	School Year			
School Name	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
Changzheng College				
Full-time	342	341	339	330
Part-time	62	68	57	66
Jingyi Secondary School				
Full-time	56	55	48	45
Subtotal (our initially-controlled schools)	460	464	444	441
College of Information and Business				
Full-time	324	370	466	474
Part-time	316	316	272	273
Subtotal	640	686	738	747
Total (our schools)	1,100	1,150	1,182	1,188

Note:

(1) For consistency purposes, we use December 31 to present our business operating data in this prospectus despite the fact our school year generally ends in July/August of each calendar year.

The following table sets forth a breakdown of our teachers in terms of education qualification by school for the school years indicated:

Changzheng College	School Year 2015/2016	2016/2017	2017/2018	2018/2019
Doctoral degree	10	11	5	6
Master's degree	212	220	172	259
Bachelor's degree	181	172	218	130
Others	1	6	1	1
Total	404	409	396	396

Jingyi Secondary School	School Year 2015/2016	2016/2017	2017/2018	2018/2019
Master's degree	—	—	—	3
Bachelor's degree	52	50	44	38
Others	4	5	4	4
Total	56	55	48	45

College of Information and Business	School Year 2015/2016	2016/2017	2017/2018	2018/2019
Doctoral degree	62	65	61	61
Master's degree	358	399	461	476
Bachelor's degree	212	214	209	203
Others	8	8	7	7
Total	640	686	738	747

The following table sets forth a breakdown of our teacher turnover rate by school for the school years indicated:

	School Year 2015/2016	2016/2017	2017/2018	2018/2019
	(%)	(%)	(%)	(%)
Changzheng College	4.7	8.3	8.6	5.8
Jingyi Secondary School	35.7	41.8	39.6	37.8
College of Information and Business	4.9	5.1	3.7	5.5

Teacher turnover rate is the percentage of the teachers in a school year who left their posts during or after the completion of such school year. The teacher turnover rate for Changzheng College remained below 10.0% during the Track Record Period. It increased for the 2016/2017 school year and the 2017/2018 school year mainly because certain number of teachers resigned their posts for personal, family or health reasons. The teacher turnover rate for Jingyi Secondary School was relatively high and remained below or around 40.0% during the Track Record Period and fluctuated during the Track Record Period mainly because certain of the teachers of Jingyi Secondary School resigned their posts to become government employees or for personal reasons, among other reasons. We recruited new teachers from time to time to ensure that Jingyi Secondary School had sufficient number of qualified teachers to maintain and improve the teaching quality of Jingyi Secondary School. The teacher turnover rate for College of Information and Business remained below or around 5.0% during the Track Record

Period and fluctuated during the Track Record Period mainly as a result of certain of the teachers of College of Information and Business resigning their posts for personal or family reasons, among others.

Teacher Recruitment

Changzheng College and College of Information and Business generally advertise available teacher positions online through which teacher applicants submit their resumes. Before hiring a teacher, we consider his or her education background, subject matter expertise and relevant work experience. From a pool of applicants, we generally select those whom we believe possess exceptional qualities we look for in our teachers. Those applicants are invited to participate in-person interviews by the officials at the human resources department of each of our schools. Interviews are generally conducted by the relevant department that is looking to hire teacher. In addition to in-person interviews, the evaluation includes a comprehensive teaching quality assessment. Only those applicants who perform up to our standards are invited to be further evaluated by the relevant human resources department of our schools. In addition, we consider other criteria, such as the teaching applicant's prior teaching experience, awards and recognition. Job offers are usually extended to teacher applicants who successfully pass our comprehensive quality assessment.

The following tables set forth the teacher-to-student ratios for our PRC Operating Schools that provide higher education as of the dates indicated:

	Changzheng College		
As of	**Number of Teachers**	**Student Enrollment**	**Teacher-to-student Ratio**
December 31, 2016	409	10,992	1: 26.8
December 31, 2017	396	10,874	1: 27.4
December 31, 2018	396	10,520	1: 26.6

	College of Information and Business		
As of	**Number of Teachers**	**Student Enrollment**	**Teacher-to-student Ratio**
December 31, 2016	686	20,374	1: 29.7
December 31, 2017	738	20,284	1: 27.5
December 31, 2018	747	20,613	1: 27.6

As advised by our PRC Legal Advisors, the teacher-to-student ratio of our PRC Operating Schools which provide higher education should be maintained at a level of not less than 1:18 in accordance with applicable rules and regulations in the PRC, and each of our Changzheng College and College of Information and Business did not fully meet the regulatory requirements of the teacher-to-student ratio during the Track Record Period. As advised by our PRC Legal Advisors, the teacher-to-student ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the relevant PRC regulations; in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the school may receive a yellow card issued by competent authority and its student admission must not exceed the number of the graduates in the same year; and in the event that a school receives a yellow card for three consecutive years, it may receive a red card issued by competent government authority and its student admission will be subject to suspension.

In order to understand whether the teacher-to-student ratio at our College of Information and Business has failed to satisfy such prescribed level would have any adverse effect on our operations of the school, on July 12, 2018, our College of Information and Business obtained a compliance confirmation from Henan Department of Education (河南省教育廳), and on August 31, 2018, we, with the assistance of our PRC Legal Advisors, consulted with an official of the Division of Private Education of Henan Department of Education (河南省教育廳民辦教育處). According to the consultation, we were given to understand that such situation is to a certain extent common in private higher education institutions and our College of Information and Business has gradually improved its school operation conditions. Based on the then situation of our College of Information and Business as of the date of the compliance confirmation, the relevant education authority would not impose any limitation on student enrollment or any similar penalty on the school for failure to comply with the relevant basic school operation conditions, including teacher-to-student ratio. The relevant education authority has also confirmed that our College of Information and Business has increased its student enrollment quota in recent years. As advised by our PRC Legal Advisors, the Division of Private Education of Henan Department of Education is the competent authority to confirm the matters relating to the school operation conditions requirements for the higher education institutions, which were applicable to our College of Information and Business.

On April 19, 2019, we, with the assistance of our PRC Legal Advisors, consulted with an official of the Division of Private Education of Henan Department of Education (河南省教育廳民辦教育處). According to the consultation, it was confirmed that the non-compliance status of the teacher-to-student ratio, the ratio of teaching and administrative building area to the number of students and the ratio between the site area and the number of students (collectively, the "Operating Indicators") of College of Information and Business will not trigger any penalty or limitations on its student admission or school operations. As advised by our PRC Legal Advisors, the Division of Private Education of Henan Department of Education is the competent authority to confirm the matters relating to the Operating Indicators.

Our Directors have also confirmed that our College of Information and Business has not received any yellow or red card from, nor has it been subject to any form of administrative penalty by, the competent government authorities in relation to its compliance with the teacher-to-student ratio during the Track Record Period and up to the Latest Practicable Date. Based on the foregoing, our PRC Legal Advisors are of the view that the risk that our College of Information and Business will be penalized by the relevant education authorities for its teacher-to-student ratio is relatively low.

On September 6, 2018, we consulted with the relevant officers of the Foreign Affairs Division of Zhejiang Provincial Department of Education (浙江省教育廳外事處), the latter of which has consulted the Division of Planning and Finance of Zhejiang Provincial Department of Education (浙江省教育廳計劃財務處), both being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the school operation conditions requirements for the higher education institutions which were applicable to our Changzheng College. Based on the consultations, we were given to understand that the monitoring of school operation conditions is a process in which the government authority admits that there will often be situations where the school operation conditions may not keep up with the rapid development of the school for some period of time and therefore, the government authority is more concerned about whether the schools will satisfy the required indicators in the long-run. We were also advised by the Foreign Affairs Division of Zhejiang Provincial Department of Education that the competent education authorities will often order the schools to improve their school operation conditions within a time limit before issuing a yellow card or a red card to restrict and/or suspend the student admission of the schools. Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, our Changzheng College has not been ordered to undertake rectification measures or subject to any penalty for any failure to comply with the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標(試行)).

On April 24, 2019, we, with the assistance our PRC Legal Advisors, consulted with an official of the Division of Regulations of Zhejiang Department of Education (浙江省教育廳法規處). According to the consultation, it was confirmed that the non-compliance status of the Operating Indicators of Changzheng College will not trigger any penalty or limitations on its student admission or school operations, provided that Changzheng College can positively rectify the non-compliance status as may be required from time to time. As advised by our PRC Legal Advisors, the Division of Regulations of Zhejiang Department of Education is the competent authority to confirm the matters relating to the Operating Indicators of Changzheng College.

Our Directors have also confirmed that our Changzheng College has not received any yellow or red card from, or been subject to any form of administrative penalty by, competent authorities in relation to its compliance with the teacher-to-student ratio during the Track Record Period and up to the Latest Practicable Date. Based on the foregoing, our PRC Legal Advisors are of the view that the risk that our Changzheng College being penalized by the education departments of Zhejiang province for its teacher-to-student ratio is relatively low.

Our Directors have confirmed that the non-compliance with the teacher-to-student ratio (i) does not involve any fraud or dishonesty; (ii) has not resulted in any compromise to the education quality of our College of Information and Business and our Changzheng College in any material respects; and (iii) has not interfered with the normal operations of the relevant schools in any material respects. Having considered the relevant facts and circumstances, the fact that we have not encountered any administrative penalty or material disputes in relation to the non-compliance, our Directors are of the view that such non-compliance (together with any other non-compliance incidents identified in this prospectus) does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules.

We endeavor to continuously improve the quality of our education and the teacher-to-student ratio is one of the many metrics under consideration. We will monitor and adjust the teacher-to-student ratio as necessary and where practicable based on the needs of our increasing student enrolments and our schools' education plans and activities without compromising the quality of our education or profitability. We intend to devote additional resources to stepping up our teacher recruitment and retention efforts going forward to further improve our teacher-to-student ratio and our overall teaching quality in light of our growth in student enrolment and the complexity of our course offerings. Our efforts include (i) with respect to Changzheng College and College of

Information and Business, recruit teachers who have a doctor's degree, have associate professor teaching titles or have relevant practical experience; (ii) for College of Information and Business, increase the number of teachers by 10% of the existing number of teachers year on year and aim to meet the teacher-to-student ratio requirement within six years; and for the new campus in Kaifeng, Henan province, we will consult with the relevant government authorities regarding these ratios and ensure that the new campus will not be penalized in relation to these ratios before the commencement of school operations; and (iii) for Changzheng College, increase the number of teachers by 10% of the existing number of teachers year on year and aim to meet the teacher-to-student ratio requirement within six years; and for the new campus in Hangzhou, Zhejiang province, we will consult with the relevant government authorities regarding these ratios and ensure that the new campus will not be penalized in relation to these ratios before the commencement of school operations. Through our various approaches in recruitment, we believe that we have sufficient access to an abundant source of teaching resources that would enable us to improve our teacher-to-student ratio and, most importantly, the quality of our education. We aim to comply with the relevant teacher-to-student ratio requirements within six years and will update the status of compliance in the interim and annual reports to be issued subsequent to the Listing.

As advised by our PRC Legal Advisors, the teacher-to-student ratio requirement discussed above is applicable to higher education institutions only and therefore, it is not applicable to Jingyi Secondary School. Furthermore, no other compulsory requirement relating to the teacher-to-student ratio is applicable to Jingyi Secondary School, which is a private secondary school established in 1997.

Teacher Training Programs

We have comprehensive training programs in place for our newly hired and existing teachers at Changzheng College and College of Information and Business. The training programs at each of at Changzheng College and College of Information and Business for newly hired teachers focus on teaching skills and techniques. We also provide continuing training, including online training, for our existing teachers so that they can stay abreast of changes in their relevant industry, new teaching theories and/or methodologies, and changing teaching and testing standards. Our training programs generally include (i) subject matter training; (ii) teaching theories and methodologies training, such as training on managing student behavior in the classroom; (iii) teaching skills and techniques training, such as training on how to use various hardware and software to prepare teaching materials and conduct in-class teaching; (iv) cultural training, such as training on academic and professional improvements and team building; and (v) other professional training, such as professional ethnics and counseling. In addition to the training we provide in-house, we encourage our teaching staff to attend external training courses and programs organized by third parties, such as local education authorities.

Teacher Performance Evaluations

To ensure we continuously provide high quality education to our students, we conduct teacher performance reviews and evaluations periodically. Our teacher evaluations and assessments include probationary period assessment (which is typically the first three to six months of the teachers' employment with us), employment period assessment, daily assessment and annual assessment. Probationary period assessment primarily focuses on teachers' overall ability to teach, conduct research and manage classes. Depending on the specific roles of our teachers, evaluations also cover their ability to learn and prepare for classes, their work ethic and the results of their teaching efforts, among other criteria. With respect to employment period assessment, we generally evaluate the following criteria of our teachers: (i) their ability to discharge their respective responsibilities and duties; (ii) whether they adhere to the applicable rules and regulations promulgated by the schools; (iii) whether they successfully completed the required tasks; and (iv) the results of their performance. Employment period assessments are crucial for us to determine whether to continue to employ the teachers, change their roles and responsibilities or dismiss their employment altogether. Teachers who receive unsatisfactory remarks for the first time will be asked to change their roles and responsibilities during an observation period, and if any of them continue to underperform, we will terminate their employment. We also evaluate our teachers' daily performance in their teaching methods, moral aptitude and adherence to applicable rules and regulations. In addition, we conduct annual assessment to evaluate our teachers' professionalism, ability to carry out their assigned duties, performance of their responsibilities and their integrity and self-discipline. We rely on our annual assessment to determine whether to continue to engage our teachers, their promotion and their salaries and benefits.

As a private higher education service provider, we believe we offer relatively competitive compensation to our teachers so that we can retain and attract talented teaching staff. Our teachers' compensation package typically includes a base salary, compensation based on teaching performance, a subsidy and/or a performance bonus.

Selection and Design of Teaching Materials and Textbooks

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education. Each of our schools has implemented a set of teaching material management policies, which generally covers the selection, procurement, distribution and management of the teaching materials to be used by each school. We generally require our schools to adopt and use teaching materials published within the past three years, which must comply with the basic course requirements and course syllabuses at such schools. In addition, we typically require our teachers to teach one course with one set of teaching materials for an extended period of time in order to ensure consistency and learning stability, until such materials are no longer suitable for our teaching requirements, which will subsequently be replaced. For multiple teachers who teach the same course, we also require them to use the same teaching materials to maintain consistency and teaching quality. In terms of selection, teaching materials for a course typically must be approved by the teaching and research department of the major under which such course is offered and by the dean's office of the school prior to procurement and distribution.

In addition, we permit our Changzheng College to use teaching materials and textbooks designed and published by our teachers, who generally create appropriate teaching materials based on the conditions of the schools and the majors they offer, subject to the approval by the dean's office. For example, since we commenced operation of our first school, our teachers have published over 100 textbooks, covering a variety of subject matters, including, among others, SME management practice.

CAMPUS SERVICES

The campus service arrangements at our schools typically include meal catering services and medical care services.

Meal Catering Services

As of the Latest Practicable Date, we internally partly operated one of the two canteens at Changzheng College and the canteen at Jingyi Secondary School, and outsourced the remaining canteen at Changzheng College and all the campus food and meal catering services at College of Information and Business to third-party catering service providers, all of whom are Independent Third Parties. For the meal catering services that we operate in-house, we have obtained the required licenses and permits, such as the license for food operation service (食品經營許可證). For meal catering services outsourced to third-party service providers, we typically enter into one year outsourcing agreements, which set forth the key terms of the catering arrangements. We require all third-party catering service providers to obtain relevant licenses and permits required by laws and regulations. The catering providers are obliged to provide catering services to our students and faculty for at least three meals each day, and must ensure food quality and safety. We have dedicated personnel to regularly check for the quality of the meal services. For risks associated with meal catering services, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We currently outsource certain meal catering services at our schools to Independent Third Parties and, as a result, we cannot guarantee the quality of the food they serve to our students. Therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards" in this prospectus.

Medical Care Services

We provide routine medical services for our students and faculty by operating our own clinics at Changzheng College, College of Information and Business and Jingyi Secondary School. We treat minor illnesses and provide routine check-ups for our students, faculty and staff at these clinics. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. As of the Latest Practicable Date, the medical centers at our schools obtained all of the necessary certificates and qualifications.

School Bus Services

We offer transportation services to our teachers at Changzheng College and College of Information and Business. We outsource the transportation services to qualified Independent Third Parties and operate the rest ourselves. As of December 31, 2018, we operated three school buses at our Changzheng College. Such services are provided to our teachers free of charge.

EXPANSION PLANS

Overview

In our efforts to achieve business growth, we plan to further expand our school network through acquiring existing schools and/or establishing new schools, including by cooperating with other school sponsors to establish new schools. For details of our expansion strategies, see the section headed "— Our Business Strategies — Expand our business operations and school network to achieve economies of scale" in this prospectus.

Reasons for Expansion

We intend to expand our business operations and increase our market penetration for the following principal reasons:

- *Our continuous growth requires the expansion of our existing campuses*: From the 2015/2016 school year to the 2018/2019 school year, our Changzheng College maintained the same student capacity while its school utilization rate had been well over 90% for each school year, whereas the school utilization rate of our College of Information and Business had generally increased during this period and reached closer to 90% for the 2018/2019 school year. In order to remain competitive, in addition to improving the quality of education, we need to increase the student capacity of Changzheng College and College of Information and Business so that each school can maintain a reasonable balance between student recruitment and school utilization.

- *Favorable macro-economic conditions that foster the growth of our business*: According to Frost & Sullivan, Zhejiang province is one of the most economically developed provinces in China, which is also known to have a well-developed private economy. Its prosperous economy has been the main driver for the development of the private higher education market, which has created a broad range of job opportunities that are attractive to university and junior college graduates. In addition, Henan province has experienced rapid development in its economy over the past two decades. In 2017, Henan province had the fifth largest economy in China in terms of nominal GDP among all provinces, according to the Frost & Sullivan Report. Due to its large population, there were approximately 0.9 million high school graduates who took part in Gaokao in 2017, according to Frost & Sullivan. Accordingly, we believe there is abundant student resources and employment opportunities in Zhejiang and Henan provinces that will provide us with sufficient demand for our educational programs. This, together with the relative shortage of public higher education resources, creates an opportunity for us to expand our business operations in Henan province.

Details of Expansion

Based on the foregoing, we plan to expand our business operations and increase our market penetration in Zhejiang and Henan provinces in the following manner:

- *Constructing new buildings in the existing campus of Changzheng College*: As of the Latest Practicable Date, we obtained the relevant land use rights certificate(s) for the parcel of land with a gross site area of approximately 105,329 sq. m. on which we plan to construct new school facilities. The facilities under construction include new student dormitories, a student knowledge exchange center and canteens with an aggregate gross floor area of approximately 26,986.71 sq. m., which are expected to be completed during the 2019/2020 school year. The total costs for such constructions are estimated to be approximately RMB50.0 million. We intend to finance such expenditure using our internally generated funds. The student capacity in Changzheng College after expansion will reach 13,024, representing an increase of approximately 13.5% from its current capacity;

- *Establishing a new campus of Changzheng College in Hangzhou*: We plan to establish a new campus of Changzheng College in Hangzhou with an anticipated total gross site area of approximately 252,000 sq. m., which will have an expected school capacity of 10,000 students. The facilities to be constructed include student dormitories, teaching buildings and other teaching facilities with an aggregate gross floor area of 220,000 sq. m., which are expected to be put into use in the 2022/2023 school year. Changzheng College has entered into a framework agreement to acquire the land use right for its planned new campus in Hangzhou encompassing approximately 300,000 sq. m. The cost for the acquisition of the land use rights is estimated to be RMB250.0 million, all of which had not yet been paid as of the Latest Practicable Date. The construction work is expected to start in the second half of 2019. The total investment for such expansion including the costs for the land use rights are approximately RMB750.0 million, a portion of which is expected to be funded by the net proceeds from the Global Offering and the remainder from our internally generated funds. The expected breakeven period, which refers to the period of time required for a school to generate revenue equal to its cost of sales and operating expenses for the first time, for such expansion is approximately 13 months. The expected investment payback period is approximately seven to eight years. The student capacity in Changzheng College after expansion is expected to reach 21,000, representing an increase of approximately 83.8% from its current capacity. As of the Latest Practicable Date, we were waiting for the transfer of the relevant land use rights to be approved by the relevant government authorities. In view of the fact that the framework agreement was entered into between Changzheng College and the relevant government authority, our Directors do not expect that there will be any material impediment in obtaining such approval. We believe there is adequate demand for the education programs to be provided by Changzheng College in the new campus for the following main reasons: According to the Frost & Sullivan Report, (i) Zhejiang province is one of the most economically active provinces in China, which is also known as a province with well-developed private economy. Due to the broad range of employment opportunities in the province, students from various places in China are willing to study and work there after graduation; (ii) since there are more enterprises in economically developed regions in the PRC, including Zhejiang province, more school-enterprise cooperation projects are available and more well-known enterprises have participated in teaching and practice activities at universities and junior colleges in Zhejiang province. Changzheng College can capitalize on this opportunity to establish a variety of specialties and courses based on the broader needs of the job market, which in turn is attractive to potential students nationwide; and (iii) with higher disposable income of residents in Zhejiang, parents are able to afford a higher cost in order to provide better education to their children. As per capita annual expenditure on education in

Zhejiang is growing faster than the national average per capita expenditure on education, parents in Zhejiang province are willing to spend more on education.

- *Constructing new buildings in the existing campus of College of Information and Business College*: We plan to construct three additional student dormitories and two new teaching buildings in the Main Campus, with an aggregate floor area of approximately 27,000 sq. m., which are expected to be put into use beginning in the 2020/2021 school year. We have also obtained the relevant construction planning permit as of the Latest Practicable Date. The total costs for such constructions are estimated to be approximately RMB50.0 million. We intend to finance such expenditure using our internally generated funds. The student capacity in College of Information and Business after expansion is expected to reach 25,000, representing an increase of approximately 8.9% from its current capacity; and

- *Establishing a new campus in Kaifeng, Henan province*: We are in the process of acquiring the land use rights certificate(s) for approximately 666,000 sq. m. of land. The facilities to be constructed on such land include student dormitories, teaching buildings and other teaching facilities with an aggregate gross floor area of approximately 300,000 sq. m., which are expected to be put into use in 2022. The cost for acquiring the land use rights are estimated to be RMB345.0 million, all of which had not yet been paid as of the Latest Practicable Date. The construction work is expected to commence in the second half of 2019. The total costs for such expansion, including the cost for the acquisition of the land use rights certificate(s) is approximately RMB800.0 million, a portion of which is expected to be funded by the net proceeds from the Global Offering and the remainder from our internally generated funds. The expected breakeven period for such expansion is approximately 13 months. The expected investment payback period is approximately six to seven years. The student capacity of College of Information and Business after expansion is expected to reach 37,900, representing an increase of approximately 65.4% from its current capacity. As of the Latest Practicable Date, we were waiting for the application of the relevant land use rights to be approved by the government authorities. Based on our understanding of the current progress of the application process as of the Latest Practicable Date, we do not expect that there will be any material impediment to obtain such approval. We believe there is adequate demand for the education programs to be provided by College of Information and Business in the new campus for the following main reasons: According to the Frost & Sullivan Report, (i) Henan province is experiencing a shortage of higher education resources, especially in public sector. Due to the large population and the relative lack of public higher education resources, the college entrance examination competition in Henan is more intense than in other regions of the country. In the context of this situation, the emergence of private higher education institutions can fill the gap in the market and satisfy the needs of eligible students seeking to pursue higher education; and (ii) as one of the strategic provinces in central China, Henan province plays an important role in the development of China's overall economy. The growth of Henan's GDP continues to be higher than the national average. The development of the economy requires a sufficient number of professional talent to fill the positions in all areas of the economy. Therefore, private higher education institutions are able to provide large numbers of talents for the economic development of Henan, which makes it attractive to potential students nationwide.

With respect to our expansion, we plan to engage an experienced principal and recruit qualified teachers and administrative staff in Zhejiang and Henan provinces in order to meet the anticipated increase in student enrollment. We will continue to implement a rigorous selection process and impose relatively high standards to select qualified and suitable teachers for Changzheng College and College of Information and Business. Our Directors are of the view that we expect to be able to generate sufficient funds internally from Changzheng College and College of Information and Business to meet the funding requirements of our expansion plan.

The principal assumptions we made when calculating the expected breakeven period for a school include the tuition fees and boarding fees the school currently expects to charge for each student in each school year, the number of new students the school expects to enroll in each school year, subject to the relevant student admissions quota approved by the relevant education authorities, the cost of sales and other operating expenses the school expects to incur when providing education services to students and the estimated tax liabilities the school anticipates to be exposed to. In addition, we assume all other factors remain constant, the actual investment and construction costs of these schools will not materially deviate from the expected amounts, and we take into account the financial resources available to us.

The execution of our expansion plans in the PRC and abroad may encounter certain risks and challenges, including, but not limited to, operational risks, financing risks and regulatory risk. For instance, in connection with the establishment of the new campuses for Changzheng College and College of Information and Business, we were in the process of applying for the use of the relevant land for the planned new campuses. There is no guarantee that we will be able to acquire the land use right for the planned new campuses, without which, we will not be able to commence the construction of the new school facilities. In the event this occurs, we will not be able to successfully execute our expansion plan, which could materially and adversely affect our business, financial condition, results of operations, business prospects and reputation. See the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities" in this prospectus.

THE DECISION REGARDING REVISIONS OF THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On November 7, 2016, the 2016 Decision was promulgated by the Standing Committee of the NPC and became effective on September 1, 2017. According to the 2016 Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools as for-profit private schools or non-profit private schools, with the exception of private schools providing compulsory education, which can only be established as non-profit private schools. As advised by our PRC Legal Advisors, all of our PRC Operating Schools shall be subject to the MOE Draft for Comments. For further details of the 2016 Decision, see the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this prospectus.

Under the existing regulatory environment and based on the interpretation of the 2016 Decision and the existing ownership structure of our schools, it is our intention to register the schools we currently own as for-profit private schools after the 2016 Decision, its implementation and the detailed rules and regulations promulgated by local government authorities become effective. As advised by our PRC Legal Advisors, there remains substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a private school, in particular, (i) specific procedures required to be completed for a school to register a for-profit school or non-profit school; and (ii) respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school. If any of our PRC Operating Schools chooses to be and registers as a for-profit private school, the potential impact of the 2016 Decision includes the following:

- *The rights and interests of the sponsors of our schools will be protected in more definitive and favorable ways* – the 2016 Decision provides that the school sponsors of for-profit private schools can obtain the schools' operating profits, and upon liquidation, the school sponsors of for-profit private schools can obtain their remaining assets after the settlement of the schools' indebtedness in accordance with the PRC Company Law and other relevant laws and administrative regulations;

- *Our schools shall have the discretion to determine the amount of fees to be charged* – in accordance with the 2016 Decision, if we choose to register our school as for-profit private schools, they would be entitled to make their own decisions about the amount of fees to be charged based on the schools' operating costs and market demand;

- *Our schools may enjoy support from certain PRC government policies* – the 2016 Decision stipulates that the governments at or above the county level in the PRC can provide various policy support to for-profit private schools, such as preferential tax policies, purchases of services, student loans, scholarships and the rent or transfers of idle State-owned assets in accordance with applicable laws and regulations;

- *There may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures* – according to the 2016 Decision, while land will be supplied to non-profit private schools by the government through allocation or other means, for-profit private schools are not expected to enjoy the same treatment as public schools and non-profit private schools; and

- *Our schools will be subject to the requirements of applying for re-registration* – the 2016 Decision also requires that private schools choosing to register as for-profit private schools shall carry out financial settlement procedures, clarify property ownership, pay the relevant taxes and fees, and re-apply for registration. According to the Classification Registration Rules (民辦學校分類登記實施細則), for-profit private schools that have been approved by the relevant government authorities shall be registered with the State Administration of Industry and Commerce in accordance with the applicable laws and regulations in the relevant jurisdictions. The registration authority shall, in accordance with applicable regulations, register the private schools that meet the requirements of registration and issue to them relevant registration certificates or business licenses. The specific registration requirements for the Existing Private Schools shall be formulated by the local governments in the provinces, autonomous regions or municipalities in the PRC.

On December 26, 2017, the People's Government of Zhejiang Province issued the Zhejiang Implementing Opinions, pursuant to which, additional measures shall be implemented in the field of private education, which include, but are not limited to, the requirement that the Existing Private Schools shall finish the classification registration before the end of 2022. On February 2, 2018, the People's Government of Henan Province issued the Henan Implementing Opinions, according to which, further measures shall be implemented in the field of private education, which include, but are not limited to, the requirement that higher private education institutions shall finish the classification registration before the end of 2022, and the classification registration date of other private schools shall be decided by provincial city and direct provincial administration county (city). For further details of the 2016 Decision, see the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this prospectus. As advised by our PRC Legal Advisors, despite the Henan Implementing Opinions, the detailed rules, regulations and policies regarding the conversion of an existing private school into a for-profit private school or a non-profit private school have not yet been promulgated by the local authorities in Henan province and therefore, the exact timing for us to make a decision to register the College of Information and Business as for-profit private schools and the requirements in connection therewith remain uncertain. As confirmed by our Directors, we will choose to register College of Information and Business as a for-profit private school before the end of 2022, after the authorities of Henan province promulgate the detailed rules and regulations regarding the conversion of an Existing Private School into a for-profit private school or a non-profit private school and College of Information and Business subsequently completes its transformation, subject to any further laws and regulations to be promulgated. According to the Henan Implementing Opinions, school sponsors of a private school can choose to register as a for-profit or not-for profit private school before the end of 2022. Based on the interview with an official of the Division of Private Education of Henan Department of Education (河南省教育廳民辦教育處) on August 31, 2018, we are advised that the Henan Department of Education will not force the current Existing Private Schools to choose to operate as non-profit or for-profit private schools, and their school sponsors have the right to choose independently. The Henan Department of Education will not force College of Information and Business to register as a for-profit or not-for profit private school in advance in the following scenarios: (i) when updating the school license; (ii) when the annual inspection is being carried out; or (iii) when new specific implementation rules for the registration of the private schools in Henan province are implemented. College of Information and Business can complete the classification registration by the end of 2022, and other legal procedures (i.e., updating the school license and going through the annual inspection, among other things) will not be affected or restricted. As advised by our PRC Legal Advisors and confirmed by our Directors, we do not expect any material impediment which might preclude our Group from choosing to register College of Information and Business as a for-profit private school within the time period as planned. Our PRC Legal Advisors also advised us that the Implementation Measures on the Alteration Registration of Type Changes of Existing Schools (《現有民辦學校變更登記類型實施辦法》), which was promulgated by the Zhejiang Department of Education and other seven relevant government authorities on April 4, 2018 and become effective from June 1, 2018, have stipulated some framework procedures regarding the conversion of an Existing Private School into a for-profit private school or a non-profit private school in Zhejiang province. On September 27, 2018, the board of directors of Changzheng College resolved that it shall be registered as a for-profit private school. On December 24, 2018, the board of directors of Jingyi Secondary School resolved that it shall be registered as a for-profit private school. As advised by our PRC Legal Advisors, according to the Zhejiang Implementing Opinions, Changzheng College and Jingyi Secondary School shall complete their registration as for-profit private schools before the end of 2022. As advised by our PRC Legal Advisors and confirmed by our Directors, we do not expect any material impediment which might preclude our Group from choosing to register Changzheng College or Jingyi Secondary School as a for-profit private school.

There are uncertainties regarding the interpretation and application of the 2016 Decision, which affect or may affect our industry as a whole or any of our schools, especially considering that the corresponding detailed rules and regulations regarding the financial settlement, the property ownership clarification and the tax and fees payments for the purpose of converting existing schools to for-profit private schools have not been promulgated by the local government authorities as of the Latest Practicable Date. Accordingly, as of the same date, we were not able to quantify the impact that the implementation of the 2016 Decision may have on our business operations. For risks associated with the 2016 Decision and new regulations in general that may impact our industry and/or our schools, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Comments, and which if implemented in its current form, may have an adverse effect on the development, operation and management of our schools." in this prospectus.

THE DRAFT REVISION OF THE REGULATIONS ON THE IMPLEMENTATION OF THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

On April 20, 2018, the MOE issued the MOE Draft for Comments, namely the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》), to seek public comments. On August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the State for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local People's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in installments. The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools including, among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion and the registered capital of a for-profit private school providing other formal education shall be no less than RMB10.0 million; and (iv) public schools shall not establish or participate in the establishment of for-profit private schools. If a public school establishes or participates in the establishment of a non-profit private school, it shall first obtain approval from the competent government authorities, and shall not use the state's fiscal funds, affect the public school's teaching activities, or obtain profits through brand output.

As advised by our PRC Legal Advisors, all of our PRC Operating Schools shall be subject to the MOJ Draft for Comments. However, our PRC Legal Advisors advised us that before the completion of the transformation, College of Information and Business is an Existing Private School as stipulated in the MOJ Draft for Comments rather than a for-profit private school since it has not yet registered with the relevant government authorities. Based on the foregoing, our PRC Legal Advisors advised us that the MOJ Draft for Comments will not adversely affect the status of College of Information and Business as an independent college before the completion of the transformation. The potential impact of the MOJ Draft for Comments includes the following:

Our PRC operating schools – Based on our current understanding and interpretation of the MOJ Draft for Comments, (i) there would not be any substantive implications on the legal framework of any of our PRC Operating Schools; and (ii) each of our PRC Operating Schools is expected to be grandfathered with respect to its election to register as a for-profit private school or a non-profit private school on the basis that the MOJ Draft for Comments recognizes existing group school sponsoring operations and does not explicitly require private schools currently controlled by such sponsors to elect to register as for-profit private schools or non-profit private schools. However, we may be required to increase the registered capital of each of Changzheng College and College of Information and Business to no less than RMB0.2 billion should we register it as a for-profit private school, and to increase the registered capital of Jingyi Secondary School to no less than RMB10.0 million should we register it as a for-profit private school. As of the Latest Practicable Date, Changzheng College and College of Information and Business had a registered capital of RMB21,930,000 and RMB10,000,000, respectively, and Jingyi Secondary School had a registered capital of RMB1.0 million. As of July 5, 2018, (i) College of Information and Business had a capital reserve (資本公積金) of RMB157.1 million and registered capital of RMB10.0 million. College of Information and Business can convert some of its capital reserve into additional registered capital when it registers as a for-profit private school. The remaining RMB32.9 million will be sourced from internally generated funds from our Group. In case our internally generated funds are not sufficient at the time of registration, we will source the shortfall from bank borrowings. As of the Latest Practicable Date, JH Holdings Group had a total unutilized banking facilities amounting to RMB300.0 million; (ii) Changzheng College had a shortfall of registered capital of RMB178.0 million. As of December 31, 2018, Changzheng College had a capital reserve of RMB15.8 million, which can be converted into additional registered capital when it registers as a for-profit private school. As of December 31, 2018, Changzheng College had retained profits of RMB348.1 million, which can be distributed to its school sponsors and re-contributed to Changzheng College to increase its registered capital. Furthermore, in case the above alternatives are not sufficient at the time of registration, we will source the shortfall from bank borrowings. As disclosed above, JH Holdings Group had a total unutilized banking facilities amounting to RMB300.0 million as of the Latest Practicable Date; and (iii) Jingyi Secondary School had a shortfall of registered capital of RMB9.0 million. It can finance the shortfall from internally generated funds, and from bank borrowings to the extent necessary when it registers as a for-profit private school.

Reasonable measures may have to be adopted in our future acquisition to minimize possible conflict with the provisions of the MOJ Draft for Comments – According to the existing provisions of MOJ Draft for Comments, a legal entity which sponsor or control several schools shall not control non-profit private schools through mergers and acquisitions, franchise chain and structured contracts.

Our contractual arrangements may be subject to more stringent regulations – (i) As advised by our PRC Legal Advisors, the Legislation Law of the PRC (《中華人民共和國立法法》) provides that laws, administrative regulations, local regulations, autonomous regulations, and special regulations and rules do not have retrospective effect other than special provisions, which are made to better protect the rights and interests of the citizens, legal persons or other organizations. As advised by our PRC Legal Advisors, there is no provision in the MOJ Draft for Comments providing that it will have retrospective force. Accordingly, if the MOJ Draft for Comments is promulgated in the form as published, it will not have retrospective effect on our Group's contractual arrangements, which have been entered into on November 7, 2018 before the actual promulgation of the provisions stipulated by the MOJ Draft for Comments; (ii) On December 24, 2018, the board of directors of Jingyi Secondary School resolved that it shall be registered as a for-profit private school. As confirmed by our Directors, our Group will choose to register College of Information and Business as a for-profit private school before the end of 2022, after the authorities of Henan province promulgates the detailed rules and regulations regarding the conversion of existing schools into a for-profit private school or a non-profit private school and College of Information and Business subsequently completes its transformation, subject to any further laws and regulations to be promulgated. As advised by our PRC Legal Advisors and confirmed by our Directors, our Group does not expect to encounter any material impediment, which may preclude our Group from choosing to register Jingyi Secondary School, College of Information and Business or Changzheng College as for-profit private schools.

Therefore, our Directors are of the view that our Group's contractual arrangements do not fall within the stipulation in the MOJ Draft for Comments that "a legal entity which sponsor or control several schools shall not control non-profit private schools through mergers and acquisitions, franchise chain and structured contracts"; and (iii) the MOJ Draft for Comments requires that a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term or recurring agreements entered into between a non-profit school and its connected parties shall be reviewed and audited by relevant government authorities in terms of necessity, legitimacy and compliance.

The MOJ had previously required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, which has expired. However, it has not provided the timeframe for the promulgation of the renewed Implementation Rules on the Law for Promoting Private Education of the PRC. As of the Latest Practicable Date, no renewed Implementation Rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the form and content of the upcoming renewed Implementation Rules on the Law for Promoting Private Education of the PRC. We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Advisors for the developments of the MOJ Draft for Comments, and will make the relevant amendments to our Group's decision in response to the developments of MOJ Draft for Comments after consulting our PRC Legal Advisors.

COMPETITION

The private higher education services market in China is rapidly evolving, highly fragmented and competitive. We face competition primarily from public schools and other private education institutions in China. We also compete directly with public and other private education institutions in Eastern and Central China, where all of our schools are located. We believe our principal competitive advantages include, among others:

- the reputation of each of our schools;
- our extensive operating experience;
- the effectiveness and completeness of our high school, undergraduate, junior college and practical training-focused programs;
- the high initial employment rate of the graduates at Changzheng College and College of Information and Business, and the extensiveness of the career planning guidance we provide to our students;
- the scope and quality of our education programs, services and course and/or major offerings at our schools;
- the abundance of practical training opportunities we are able to provide to our students at Changzheng College and College of Information and Business;

- students' academic performance;
- our ability to attract and retain highly qualified teachers; and
- overall student experience and satisfaction.

We expect competition in the private education market to persist and intensify. We believe that we are able to compete effectively due to our strong reputation, diverse curriculums, high quality of our teaching staff, established practical training-focused programs, and the high initial employment rate of the graduates of our PRC Operating Schools. However, some of our existing and potential competitors, especially public universities, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. See "Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified teachers and increased capital expenditures" for further details.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2016, 2017 and 2018.

Our suppliers primarily comprise construction companies and information technology equipment and service providers, all of which were Independent Third Parties. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB2.2 million, RMB13.0 million and RMB12.2 million, respectively. Purchases from our largest suppliers during the Track Record Period amounted to RMB1.0 million , RMB7.7 million and RMB7.7 million, respectively.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned five patents, including four owned by Changzheng College and one owned by College of Information and Business. As of the Latest Practicable Date, we owned one registered trademark of "嘉宏" in the PRC and one registered trademark of "嘉宏教育" in Hong Kong. We had registered one domain name for JH Holdings Group, ten domain names for Changzheng College and one domain name for College of Information and Business as of the Latest Practicable Date. Please see "C. Further Information about Our Business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material impact on our Group. See also "Risk Factors — Risks Relating to Our Business and Our Industry — We may face disputes from time to time relating to the intellectual property rights of third parties" in this prospectus.

AWARDS AND RECOGNITION

We have received numerous awards and recognition since our establishment in recognition of the quality of the education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition our schools have received during the periods indicated:

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2000	Outstanding private school (優秀民辦學校)	Changzheng College	People's Government of Zhejiang Province (浙江省人民政府)
2009	Key middle school in Wenzhou City (溫州市重點中學)	Jingyi Secondary School	Education Bureau of Wenzhou (溫州市教育局)
2010	Chinese advanced independent college (全國先進獨立學院)	College of Information and Business	National Association of Independent Colleges (中國獨立學院協作會)
2010	Civilized unit (文明單位)	Changzheng College	Hangzhou Xihu District Committee (中共杭州市西湖區委) and Hangzhou Xihu District People's Government (杭州市西湖區人民政府)
2013	Outstanding private school (優秀民辦學校)	College of Information and Business	Henan Education Department (河南省教育廳)
2015	Most specialized higher education institution in China in 2015 (2015 中國最具專業特色高等院校)	College of Information and Business	China Education Development Association (中國教育發展協會), China Educational Information Research Institute (中國教育信息研究院), China Education Reform Promotion Association (中國教育改革促進會) and China Education Research Center (中國教育研究中心)
2016	High quality special characteristic school (優質特色學校)	College of Information and Business	Henan Private Education Association (河南省民辦教育協會)

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2017	Advanced units of private education in the Henan Province in 2017 (2017年度全省民辦教育工作先進單位)	College of Information and Business	Henan Private Education Research Center (河南省民辦教育研究會)
2017	Talent training Innovation Award of Private Vocational Colleges in 2017 (2017年度民辦職業院校人才培養創新獎)	Changzheng College	China Vocational and Technical Education Association Private Vocational and Technical Education Branch (中國職業技術教育學會民辦職業技術教育分會)
2018	Excellent Private School in Henan in the 40 Years of Reform and Opening up (改革開放40年河南優秀民辦高校)	College of Information and Business	Henan Private Education Research Center (河南省民辦教育研究會)

EMPLOYEES

As of December 31, 2018, we had 1,569 employees. The following table sets forth the total number of employees by function as of December 31, 2018:

Function	Number of Employees(1)	% of Total
Teachers(2)(3)	1,188	75.7
Administrative staff	213	13.6
Accounting and finance staff	15	1.0
Student accommodation staff	34	2.2
Other staff	119	7.6
Total	1,569	100.0

Notes:

(1) Include employees of College of Information and Business, Changzheng College and Jingyi Secondary School.

(2) Includes teaching assistants. Teachers with administrative responsibilities were categorized into administrative staff instead and were not included in the number of our teachers.

(3) With respect to College of Information and Business, as of December 31, 2018, there were 114 teachers who only teach at the North Campus, 544 teachers who only teach at the Main Campus and 89 teachers who teach at both the Main Campus and the North Campus.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance. We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period. See the section headed "— Legal Proceedings and Compliance" for details of our non-compliance involving social security plans.

Furthermore, our College of Information and Business has established a labor union. During the Track Record Period, we did not experience any material labor union disputes.

PROPERTIES

As of the Latest Practicable Date, we owned the land use rights of five parcels of land in the PRC with a total gross site area of approximately 872,706.38 sq. m. and the building ownership certificates for 55 buildings with a total gross floor area of approximately 378,400.35 sq. m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Please see the property valuation report prepared by Asia-Pacific Consulting and Appraisal Limited as set out in Appendix III to this prospectus for more information. As of the Latest Practicable Date, we have not leased any properties.

Owned Properties

Land

As of the Latest Practicable Date, we owned land use rights in the PRC for two parcels of land for Changzheng College with a gross site area of approximately 339,748 sq. m., two parcels of land for College of Information and Business with a gross site area of approximately 510,826.28 sq. m., and one parcel of land for Jingyi Secondary School with a gross site area of approximately 22,132.10 sq. m. The following table sets forth a summary of the land use rights we owned:

No.	Land Use Right Owner	Description/ Location	Gross Site Area	Existing Use	Expiry Date
			(sq. m.)		
1	Changzheng College	Xiaohe Mountain Higher Education Park, Hangzhou, Zhejiang Province	234,419	Education	–[1]
2	Changzheng College	Liuxia Road, Xihu District, Hangzhou, Zhejiang Province	105,329	Science Education	–[1]
3	College of Information and Business	Shuanghu Boulevard North and XinZheng Road West, Longhu Town, Zhengzhou, Henan Province	301,483.16[2]	Industrial[3]	June 2054
4	College of Information and Business	Shuanghu Boulevard North and Huanghe Road, Longhu Town, Zhengzhou, Henan Province	209,343.12	Science Education	–[1]
5	Jingyi Secondary School	Tantou Village, Liushi Town, Yueqing, Zhejiang Province	22,132.10	Education	April 3, 2073

Notes:

(1) We acquired the relevant land use rights for these parcels of land through allocation by the government (劃撥). According to the relevant PRC laws and regulations, land use rights obtained through such means have no expiration date.

(2) Due to land reacquisition and planning adjustments by the PRC government, as of the Latest Practicable Date, the actual gross site area of the land where the buildings of College of Information and Business were located was larger than the corresponding gross site area of the parcel of land in the relevant land use rights certificate held by the school. According to our PRC Legal Advisors, where land is illegally occupied without approval, the land administrative department of the PRC government at or above the county level shall order the illegally occupied land to be returned, and persons directly responsible for the illegal occupation of land shall be subject to administrative sanctions. In addition, the area of the land occupied in excess of the approved area shall be treated as illegal occupation under the relevant PRC laws and regulations. However, on August 27, 2018, our PRC Legal Advisors conducted in-person interview with the official in the Longhu Branch of the Bureau of Land and Resources of Xinzheng City, Henan Province. In the interview, the authority confirmed that Longhu Branch has sought the opinions from the Bureau of Land and Resources of Xinzheng City on the land use-related issues of College of Information and Business and subsequently provided us its feedback and confirmation accordingly, and the authority confirms that the College of Business and Information owns the building ownership certificates of the relevant properties on the relevant parcel of land and has the right to use such properties and the corresponding land on which they were built. College of Information and Business did not engage in illegal occupation of land or committed other violations of the land management. Accordingly, the Bureau will not require College of Information and Business to demolish the buildings, relocate or rectify the non-compliance, nor will it impose any fine or other penalty. Our PRC Legal Advisors have advised us that based on the foregoing, the risk that College of Information and Business will be penalized for such non-compliance by the Bureau of Land and Resources of Xinzheng City is low.

(3) According to our PRC Legal Advisors, under the applicable PRC laws and regulations, if the relevant parcel of land is not used by the holder of the relevant land use rights certificate in accordance with its approved intended use, the land administrative department of the PRC government at or above the county level may order the land to be returned to the government and the holder of the land use rights certificate shall be subject to a fine. However, on August 27, 2018, our PRC Legal Advisors conducted an in-person interview with the official in the Longhu Branch of the Bureau of Land and Resources of Xinzheng City, Henan Province. In the interview, the authority confirmed that Longhu Branch has sought the opinions from the Bureau of Land and Resources of Xinzheng City on the land use related issues of College of Information and Business and subsequently provided us its feedback and confirmation accordingly, and that it has no objection with respect to the current use of the relevant parcel of the land for education purposes by College of Information and Business, and that it will not confiscate the relevant property nor administer a fine against the school. Our PRC Legal Advisors have advised us that based on the foregoing, the risk that College of Information and Business will be penalized for such non-compliance by the Bureau of Land and Resources of Xinzheng City is low.

Buildings

As of the Latest Practicable Date, we had building ownership certificates for 55 buildings located in the PRC with an aggregate gross floor area of approximately 378,400.35 sq. m., of which 39 buildings with a gross floor area of approximately 241,691.43 sq. m. were occupied by College of Information and Business, which were designated for education-related usage, 12 buildings with a gross floor area of approximately 121,971.81 sq. m. were occupied by Changzheng College, which were designated for non-residential use, and the remaining four buildings with a gross floor area of approximately 14,737.11 sq. m. were occupied by Jingyi Secondary School.

Building that Have Completed the Requisite Construction Procedures

As of the Latest Practicable Date, we had 15 buildings with a total planned gross floor area of approximately 73,218.4 sq. m. These buildings include (i) three buildings with a gross floor area of approximately 14,183.4 sq. m., which were occupied by

College of Information and Business and were primarily used as student dormitories; (ii) 11 buildings with a gross floor area of approximately 56,433 sq. m., which was occupied by Changzheng College and was mainly used as teachers' apartments, canteens and student dormitories; and (iii) one building with a gross floor area of approximately 2,602 sq. m., which was occupied by Jingyi Secondary School and was primarily used as teachers' apartments. As of the Latest Practicable Date, we have obtained the requisite construction planning permit, construction work commencement permit and acceptance inspection upon fire control assessment. However, we had not obtained the relevant building ownership certificates for such buildings, and were in the process of obtaining the relevant building ownership certificates as of the Latest Practicable Date. As advised by our PRC Legal Advisors, the fact that we have not yet obtained the building ownership certificates for the buildings that have completed the required construction procedures does not itself constitute a breach of applicable laws and regulations, and our Group is free to use such properties. Our PRC Legal Advisors also advised us that without building ownership certificates, we may be restricted from freely transferring such properties.

Buildings That Have Been Put into Use but Have Not Yet Obtained Any Requisite Permit or Completed Any Requisite Procedure

We occupied 11 buildings in the PRC with a total gross floor area of approximately 7,673.41 sq. m., for which we have not obtained any of the relevant building ownership certificates due to (i) the lack of construction project planning permit (建設工程規劃許可證), construction commencement permit (建築工程施工許可證) or acceptance inspection upon construction completion (建設工程竣工驗收); and (ii) having not passed the environmental protection inspection (環保驗收) and fire control assessment (消防驗收), each as required under the relevant PRC laws and regulations. These buildings include (i) seven buildings with a gross floor area of approximately 5,880.15 sq. m., which were occupied by College of Information and Business and were primarily used as guard posts, canteen stores, stadium podium, flight attendant practical training base and power switching rooms; (ii) two buildings with a gross floor area of approximately 1,157.26 sq. m., which were occupied by Changzheng College and were mainly used as guard room and campus stores; and (iii) two buildings with a gross floor area of approximately 636 sq. m., which were occupied by Jingyi Secondary School and were primarily used as bikes shed, reading room and temporary bathhouse.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations generally:

- with respect to the failure to obtain the construction project planning permit, (i) in the event that remedial measures can be adopted to eliminate any impact on the government's city planning implementation, we are subject to the risk of being required to adopt such remedial measures within a given time limit and being fined 5% to 10% of the construction costs; or (ii) in the event that no remedial measures can be adopted to eliminate such impact on the government's city planning implementation, we are subject to the risk of being ordered to demolish the relevant buildings within a given time limit (or if demolition is not possible, the confiscation of such buildings or the relevant illegal income) and being fined not more than 10% of the construction costs, which would be approximately RMB1.0 million;

- with respect to failure to obtain construction commencement permit, we are subject to the risk of being required to adopt remedial measures within certain time limit and a fine at 1% to 2% of the contract price of the construction project, which would be not more than approximately RMB0.2 million;

- with respect to failure to conduct acceptance inspection upon completion, we are subject to the risk of being ordered to adopt remedial measures, being fined 2% to 4% of the contract price of the construction project, which would be not more than approximately RMB0.4 million, and being ordered to compensate for any loss incurred;

- with respect to failure to pass fire control assessment, we are subject to the risk of being prohibited from using these buildings and being fined between RMB30,000 and RMB300,000 per building; and

- with respect to failure to pass environmental protection inspection, we are subject to the risk of being prohibited from using these buildings and being fined between RMB200,000 and RMB1,000,000 per building.

As of the Latest Practicable Date, we had ceased using all of these 11 buildings. Our Directors confirm that we will recommence using the aforementioned properties only when they fully comply with all relevant PRC laws and regulations. Going forward, we plan to take the following measures to complete the requisite procedures for these 11 buildings: (i) with respect to the seven buildings occupied by College of Information and Business, in order to complete the requisite procedures, we were in the process of drafting the report to be submitted to the Development and Reform Commission in Henan province on the application to adjust the construction plan to include these seven buildings. The Development and Reform Commission in Henan province will evaluate and issue a feasibility study approval. After obtaining the relevant approvals, including fire control, environment protection, health, lightening protection, traffic police and greening, we will apply for the construction project planning permits and the construction commencement permits; (ii) with respect to the two buildings occupied by Changzheng College, in order to complete the requisite procedures, we were in the progress of drafting the report to be submitted to the Development and Reform Commission in Zhejiang province on the application to increase the supplementary housing for student apartments. The Development and Reform Commission in Zhejiang province will evaluate and issue a feasibility study approval. After obtaining the relevant approvals, including fire control, environment protection, health, lightening protection, traffic police and greening, we will apply for the construction project planning permits and the construction commencement permits; and (iii) with respect to the two buildings occupied by Jingyi Secondary School, we will demolish them before Listing.

Our Directors are of the view that the 11 buildings that we have ceased using are not crucial to our business operation. As advised by our PRC Legal Advisors, according to Article 27 of the Administrative Punishment Law of the PRC (《中華人民共和國行政處罰法》), if the parties actively eliminate or mitigate the harmful consequences of illegal acts, administrative punishment shall be lightened or mitigated according to the relevant laws; and if the illegal acts are minor and promptly corrected with no harmful consequences caused, no administrative punishment shall be imposed. Based on the foregoing, our PRC Legal Advisors advised us that the risk of us being subject to any form of penalty by the relevant PRC government authorities is relatively low. Accordingly, our Directors are of the view that the non-compliance is not material.

Buildings that Have Not Yet Been Put into Use and Have Not Yet Obtained the Construction Commencement Permit

As of the Latest Practicable Date, College of Information and Business occupied seven buildings in the PRC with a total gross floor area of approximately 26,340.63 sq. m., for which we had not obtained the relevant construction commencement permit. These buildings are intended to be used as canteens, commercial stores, switching room, student dormitories, stadium and a practical training building. College of Information and Business did not obtain the relevant construction commencement permit as of the Latest Practicable Date. As of the Latest Practicable Date, all such buildings had not been put into use.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations generally, with respect to failure to obtain the construction commencement permits, we are subject to the risk of being required to adopt remedial measures within certain time limit and a fine at 1% to 2% of the contract price of the construction project, which would be not more than approximately RMB1.3 million.

On October 22, 2018, Xinzheng Environmental Protection Bureau (新鄭市環境保護局) issued a letter of confirmation to College of Information and Business confirming, among other things, that the College of Information and Business has completed the necessary formalities of environmental protection inspection and obtained the acceptance inspection upon completion of the environmental protection facilities according to the relevant laws and regulations. The construction and use of these buildings are in accordance with the requirements of the relevant laws and regulations on environmental protection, and College of Information and Business has not been penalized for violating laws and regulations relating to environmental protection. Our PRC Legal Advisors are of the view that the government authority that issued the confirmation is the competent authority of relevant area in Xinzheng and has adequate authority and ranking to issue the confirmation in respect of the relevant buildings.

Our Directors confirm that we are currently in discussions with the relevant parties with a view towards re-complying with the construction application procedures where practicable in order to obtain the relevant building ownership certificates as soon as practicable. Our Directors further confirm that College of Information and Business will put these seven buildings into use only after completing the requisite construction procedures and fully complying with all relevant PRC laws and regulations. Based on our Directors' current understanding of the processes involved, (i) barring unforeseen circumstances, we endeavor to obtain the relevant building ownership certificates of the buildings where practicable within the next two to three years; and (ii) we expect that such re-compliance procedures will be primarily administrative and procedural in nature and do not expect to incur substantial costs.

Properties Under Construction

As of the Latest Practicable Date, we had buildings under construction with a total planned gross floor area of approximately 26,986.71 sq. m. The building is located in the campus of Changzheng College, including an academic exchange center, a canteen and several student dormitories. As of the Latest Practicable Date, we obtained the requisite construction project planning permit and construction work commencement permit.

Properties Used by Us through Cooperative Arrangement

As part of the collaborative arrangement with Zhongyuan University of Technology, College of Information and Business uses certain premises located in the adjacent campus owned and operated by Zhongyuan University of Technology, including a library, a canteen, main teaching building and student dormitories, which were all used for education-related purposes. As of the Latest Practicable Date, College of Information and Business occupied 17 buildings with a gross floor area of approximately 60,427.73 sq. m. According to our PRC Legal Advisors, under applicable PRC laws and regulations, land that is allocated by the government and the buildings constructed thereon cannot be transferred, leased or mortgaged without the prior approval of the relevant PRC government authorities. The land administrative department of the PRC government at or above the county level may confiscate the income illegally generated and impose a fine in accordance with the seriousness of the circumstances. Based on the in-person interview with the Zhengzhou Municipal Bureau of Land and Resources on August 28, 2018, the PRC government will not confiscate the land on which these buildings are located and will allow College of Information and Business to continue to use the land, nor will they require Zhongyuan University of Technology to take rectification measures, including relocating the operations conducted in these buildings to other locations, or impose any fine or penalty on Zhongyuan University of Technology.

Regulatory Requirements Relating to the Ratio between School Site Area/Building Area and Number of Students

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our Changzheng College and College of Information and Business were subject to certain regulatory requirements in relation to the prescribed ratio between our school's site area/building area and the number of students enrolled. According to the MOE Notice on Basic Conditions for Operating Higher Education Institutions (Trial) (教育部關於印發《普通高等學校基本辦學條件指標(試行)》的通知) and the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標(試行)) promulgated by the MOE in 2004, except for sports and art schools, the ratio between a higher education institution's teaching and administrative building area and the number of students should be 9 to 16 sq. m. per student. As advised by our PRC Legal Advisors, such ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the regulation; in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the college may receive a yellow card issued by competent authority and its student admission will be subject to certain restrictions; and in the event that a college receives a yellow card for three consecutive years, it may receive a red card issued by competent government authority and its student admission will be subject to suspension. In addition, except for sports and art schools, the ratio between a higher education institution's site area and its number of students should be 54 to 59 sq. m. per student. As advised by our PRC Legal Advisors, such ratio is one of the monitoring school operating condition indicators (監測辦學條件指標) under the regulation; a school will not be subject to any penalty for failure to meet such indicator.

The table below sets forth the teaching and administrative building area per student for the school years indicated and the prescribed requirement for our PRC Operating Schools conducting higher education during the Track Record Period:

School	Teaching and Administrative Building Area per Student (1)				Prescribed Requirement
	2015/2016	2016/2017	2017/2018	2018/2019	
			(sq. m.)		
Changzheng College(2)	7.9*	8.0*	8.1*	8.3*	14
College of Information and Business(2)	7.5*	7.0*	7.1*	7.0*	9

Notes:

* The ratios marked with "*" represent the ratios that are lower than the corresponding prescribed ratio.

(1) According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》), the teaching and administrative building area per student = total floor area of teaching and administrative buildings / number of full-time students. The floor area refers to the floor area of the teaching and administrative buildings used by the school.

(2) As advised by our PRC Legal Advisors, Changzheng College and College of Information and Business are subject to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》). According to the MOE, Changzheng College is categorized as a comprehensive junior college, and the applicable prescribed requirement for such category of schools is 14 sq. m. per student, whereas College of Information and Business is categorized as a finance college and the applicable prescribed requirement for such category of school is 9 sq. m. per student.

The table below sets forth the site area per student for the school years indicated and the prescribed requirement for our PRC Operating Schools conducting higher education during the Track Record Period:

School	Site Area per Student (1)				Prescribed Requirement
	2015/2016	2016/2017	2017/2018	2018/2019	
			(sq. m.)		
Changzheng College(2)	30.5*	30.9*	31.2*	32.0*	54
College of Information and Business(2)	32.0*	29.8*	29.9*	29.4*	54

Notes:

* The ratios marked with "*" represent the ratios that are lower than the corresponding prescribed ratio.

(1) According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》), the site area per student = total site area / number of full-time students. The site area refers to the site area of the land used by the school.

(2) As advised by our PRC Legal Advisors, Changzheng College and College of Information and Business are subject to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標（試行）》). According to the MOE, the prescribed requirement applicable to comprehensive junior college and financial college is 54 sq. m. per student.

During the Track Record Period, our PRC Operating Schools conducting higher education did not fully meet the regulatory requirements in terms of the teaching and administrative building area per student or the site area per student.

On August 31, 2018, we consulted with the relevant officers of the Division of Private Education of Henan Department of Education (河南省教育廳民辦教育處), being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the school operation conditions requirements for the higher education institutions, which were applicable to our College of Information and Business. The Division of Private Education of Henan Department of Education confirmed that it has not issued any yellow or red card to our College of Information and Business. Based on the then situation of our College of Information and Business as of the date of the compliance confirmation, the relevant education authority would not impose any limitation on student enrollment or any similar penalty on the school for any failure to comply with the relevant basic school operation conditions, including the ratio of teaching and administrative building area to the number of students. Our Directors have also confirmed that College of Information and Business has not received any yellow or red card from, or been subject to any form of administrative penalty by, competent authorities in relation to its compliance with the ratio of teaching and administrative building area to the number of students during the Track Record Period and up to the Latest Practicable Date. In the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the school may receive a yellow card issued by competent authority and its student admission must not exceed the number of graduates in the same year.

Based on the foregoing, our PRC Legal Advisors are of the view that the risk that our College of Information and Business will be penalized by the relevant education authorities for its lower ratio of teaching and administrative building area to the number of students is relatively low.

In addition, on September 6, 2018, we consulted with the relevant officers of the Foreign Affairs Division of Zhejiang Provincial Department of Education (浙江省教育廳外事處), the latter of which has consulted the Division of Planning and Finance of Zhejiang Provincial Department of Education (浙江省教育廳計劃財務處), both being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the school operation conditions requirements for the higher education institutions, which were applicable to our Changzheng College. Based on the consultations, we were given to understand that the monitoring of school operation conditions is a process in which the government authority admits that there will often be situations where the school operation conditions may not keep up with the rapid development of the school for some period of time and therefore, the government authority is more concerned about whether the schools will satisfy the required indicators in the long-run. We were also advised by the Foreign Affairs Division of Zhejiang Provincial Department of Education that the competent education authorities will often order the schools to improve their school operation conditions within a time limit before issuing a yellow card or a red card to restrict and/or suspend the student admission of the schools. Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, our Changzheng College has not been ordered to undertake rectification measures or subject to any penalty for any failure to comply with the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標（試行）). In the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the school may receive a yellow card issued by competent authority and its student admission must not exceed the number of graduates in the same year.

Based on the foregoing, our PRC legal Advisors are of the view that the risk that our Changzheng College being penalized by the Zhejiang Department of Education for its lower ratio of teaching and administrative building area to the number of students during the Track Record Period is low.

Our Directors have confirmed that the non-compliance with the ratio of the teaching and administrative building area to the number of students (i) does not involve any fraud or dishonesty; (ii) has not resulted in any compromise to the education quality of our College of Information and Business and our Changzheng College in any material respects; and (iii) has not interfered with the normal operations of the relevant schools in any material respects. Having considered the relevant facts and circumstances and the fact that we have not encountered any administrative penalty or material disputes in relation to the non-compliance, our Directors are of the view that such non-compliance (together with any other non-compliance incidents identified in this prospectus) does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules.

Moreover, based on the consultations we had with an official of the Division of Private Education of Henan Department of Education and the Foreign Affairs Division of Zhejiang Provincial Department of Education, it was explained to us that the ratio between a higher education institution's site area and its number of students belongs to the monitoring school operating condition indicators (監測辦學條件指標) under the regulation, which is one of the monitoring standards for operating higher education institutions, as opposed to the basic conditions for operating higher education institutions. While the failure to meet the basic operation conditions, such as the teacher-to-student ratio and the prescribed ratio between teaching and administrative building area and the number of students, may result in restrictions or suspensions of student enrollment, a monitoring index is not a strict requirement, and no legal consequence has been formulated relating to the breach of such monitoring index. According to the relevant PRC regulations, the monitoring index is a supplement to the basic operating conditions and primarily reflects the improvement of the operation conditions of a higher education institution. It has significant guiding effects on improving the teaching quality and the information technology of a higher education institution. Our PRC Legal Advisors have advised us that as of the Latest Practicable Date, the relevant legislations do not state any legal consequences for a breach of the monitoring index.

Based on the foregoing, our PRC Legal Advisors are of the view that the failure of our Changzheng College and our College of Information and Business to comply with the ratio between the site area and the number of students did not constitute a material non-compliance.

We endeavor to continuously improve the ratio of teaching and administrative building area to the number of students and the ratio of site area to the number of students and aim to meet such requirements within the next two to three years and we will update the status of compliance in the interim and annual reports to be issued subsequent to the Listing. We will monitor and adjust these ratios as necessary and practicable based on the needs of our increasing student enrolments and our schools' education plans and activities without compromising the quality of our existing education or profitability. We have also taken these ratios into account when formulating our expansion plans as set out in "— Expansion Plans," which are expected to result in certain improvements to these ratios going forward. We will continue to seek suitable expansion opportunities with a particular focus on improving the ratio of teaching and administrative building area to the number of students. Where appropriate, we will allocate greater proportion of gross floor area to teaching and administrative buildings and prioritize such construction. We seek to maximize the use of our current premises and identify whether it is feasible to reconfigure existing non-teaching and administrative or idle buildings for the purpose of making available additional teaching and academic facilities to the students, thereby improving such ratio for the benefit of the students. We will consult with the relevant government authorities regarding these ratios and ensure that all the newly acquired or established schools or campuses will not be penalized in relation to these ratios before the commencement of school operations.

As advised by our PRC Legal Advisors, the ratio of the school site area/teaching and administrative building area to the number of students discussed above is applicable to higher education institutions only and therefore, it is not applicable to Jingyi Secondary School. There is no other compulsory requirement relating to the ratio of the school site area/teaching administrative building area to the number of students applicable to Jingyi Secondary School, which is a private secondary school established in 1997.

We have reviewed and strengthened our internal control measures and designated Mr. Chen Lingfeng, the executive Director of our Company, to closely monitor our ongoing compliance with the Operating Indicators. We have provided and will continue to provide relevant training to our management team about the ratio requirements under the relevant PRC laws and regulations to further enhance their understanding from time to time.

Our Directors are comprehensively reviewing the existing teacher-to-student ratios and plan to increase the number of teachers employed by Changzheng College and College of Information and Business gradually to eventually meet the prescribed ratio requirements. We will adjust our student and teacher recruitment plans each year according to the regulatory requirements of the competent government authorities. In addition, we believe we will be able to improve the Operating Indicators of Changzheng College and College of Information and Business when we complete the current construction plan of the existing campuses. Going forward, we will also actively promote land acquisition and timely commence the construction of the new campuses to meet the relevant ratio requirements.

INSURANCE

We maintain various insurance policies, such as the school liability insurance purchased by Changzheng College to safeguard against risks and unexpected events. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage to be in line with what we believe to be customary practice in the PRC. Our Directors believe that our insurance coverage is generally consistent with the industry practice and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Our Industry — We maintain limited insurance coverage" in this prospectus.

LICENSES AND PERMITS

Our PRC Legal Advisors have advised us that during the Track Record Period and up to the Latest Practicable Date, except for certain systemic non-compliance matters as disclosed in the non-compliance table below, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect. The table below sets forth details of our material licenses and permits:

License/Permit(1)	Holder	Granting Authority	Grant Date	Expiry Date
Private school operating license (民辦學校辦學許可證)	Changzheng College	Zhejiang Department of Education (浙江省教育廳)	N/A	December 31, 2020
Private non-enterprise registration certificate (民辦非企業登記證)	Changzheng College	Zhejiang Province Civil Affairs Bureau (浙江省民政廳)	January 17, 2017	January 17, 2021
Private school operating license	College of Information and Business	Henan Department of Education (河南省教育廳)	May 2019	May 2020
Private non-enterprise registration certificate	College of Information and Business	Henan Province Civil Affairs Bureau (河南省民政廳)	July 5, 2017	July 4, 2021
Private school operating license	Jingyi Secondary School	Education Bureau of Yueqing City (樂清市教育局)	July 2, 2018	June 30, 2022
Private non-enterprise registration certificate	Jingyi Secondary School	Yueqing City Civil Affairs Bureau (樂清市民政局)	August 29, 2016	August 28, 2020

Note:

(1) To maintain each of our private school operating licenses, the respective school is required to pass an annual inspection regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, each of our PRC Operating Schools had passed the latest annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. Each of our schools has adopted and implemented student health and safety measures and procedures to protect its students from bodily harm and other health and safety risks. We provide routine medical services for our students and faculty by operating our own college clinics. According to our PRC Legal Advisors, our college clinics held the required licenses. In the event of any serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. For details of the routine medical care services we provide, see the section headed "— Campus Services" in this prospectus. With respect to school safety, we promote the security of our PRC Operating Schools by employing our own security personnel or by engaging third party security companies to provide the routine security service.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident, medical situation or safety issue involving our students.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws or regulations, and other than those disclosed in this prospectus, we did not experience any systemic non-compliance incidents, which taken as a whole, in the opinion of the Directors, are likely to have a material adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any other material non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner.

Set forth below is a summary of our systemic 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	Potential Impact on Our Operations and Financial Condition
1. During the Track Record Period and up to the Latest Practicable Date, Jingyi Secondary School and College of Information and Business (i) failed to pay social insurance and housing provident fund for certain logistic and canteen staff; (ii) failed to pay social insurance and housing provident fund for employees who had been paid by other employers; and (iii) failed to pay social insurance for employees who voluntarily waived the contribution of social insurance. In addition, during the Track Record Period, we failed to pay social insurance and housing provident fund in full for certain employees of our schools as the payment bases of social security of such employees were not determined with reference to the total of their actual wages in accordance with the PRC laws and regulations. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay for certain employees of our schools during the three years ended December 31, 2016, 2017 and 2018 was approximately RMB12.1 million, RMB10.8 million and RMB10.0 million, respectively.	In terms of certain logistic and canteen staff employed by our schools, the non-compliance occurred mainly due to a misunderstanding of the housing provident fund policies and the high turnover rate and the relatively short labor contract term involving such staff. In relation to the employees whose registration of the social insurance and the housing provident fund remained with other employers but who worked for Jingyi Secondary School and College of Information and Business, such employees have not applied for or performed the necessary procedures to transfer the social insurance and housing provident fund contributions from their previous employers to us and therefore, we were unable to make the relevant payments for those employees. Failure to pay the social insurance and housing provident fund in full occurred mainly due to administrative oversight by the handling person of the human resources department of Jingyi Secondary School and College of Information and Business.	Our PRC Legal Advisors have advised us that if we fail to pay the social insurance in accordance with PRC laws and regulations, we may be ordered by the competent PRC government authority to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging between one to three times of the total outstanding balance. Our PRC Legal Advisors have also advised us that, if we fail to pay the housing provident fund in accordance with PRC laws and regulations, we may be ordered by the competent PRC government authority to pay the outstanding balance to the relevant PRC local authorities within a prescribed period.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments and housing provident fund contributions. We had reviewed our internal control policy and designated Mr. Chen Lingfeng, our executive Director, and Mr. Chen Nansun, our executive Director, to closely monitor our on-going compliance with social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. As of the Latest Practicable Date, we made provision of the balance of social insurance payments and housing provident fund contributions amounting to approximately RMB20.7 million. Our Directors believe such provision we made was sufficient because (i) with respect to the social insurance, we have received confirmations from relevant government authorities for our Changzheng College in Hangzhou in July 2018, our Jingyi Secondary School in	Our Directors are of the view that the maximum amount of outstanding social insurance payments and contributions to housing provident fund did not have a material adverse impact on our Group. Therefore, based on the foregoing, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.

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	Potential Impact on Our Operations and Financial Condition
			Yueqing in September 2018, and our College of Information and Business in Zhengzhou in September 2018, that the government authorities recognized and approved the payment bases of social security used by our PRC Operating Schools and did not find any default, underpayment or other non-compliance in the payment of social security by our PRC Operating Schools during the Track Record Period; and (ii) with respect to the housing provident fund, we have received confirmations from the relevant government authorities for our Changzheng College in Hangzhou in July 2018, and our Jingyi Secondary School in Yueqing in September 2018, pursuant to which the government authorities recognized and approved the payment bases of housing provident fund used by our PRC Operating Schools and did not find any default, underpayment or other non-compliance in the payment of housing provident fund by our PRC Operating Schools during the Track Record Period. Furthermore, as of the Latest Practicable Date, we did not receive any notice from the relevant government authorities ordering us to make up underpayments or pay any late fees, nor have we been subject to any fines imposed by them. As of the same date, we did not receive any notice from the relevant government authorities ordering	

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	Potential Impact on Our Operations and Financial Condition
			us to make up underpayments or pay any late fees, nor have we been subject to any fines imposed by them for the shortage in payment of housing provident funds. Based on the aforesaid facts, our Directors believe that the risk of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing fund-related non-compliance by the relevant government authorities is relatively low.	
2. (i) During the Track Record Period, Jingyi Secondary School admitted certain students whose student status were not registered with the school (無學籍) in the training program. For the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, 470, 462, 332 and 270 students were enrolled in such program, respectively. For the years ended December 31, 2016, 2017 and 2018, the total amount of revenue generated from the training program was approximately RMB5.2 million, RMB6.9 million and RMB7.8 million, respectively. (ii) In addition, during the Track Record Period, without first making the requisite filings with the relevant government pricing authority, Jingyi Secondary School charged different tuition fee rates for its students. (iii) During the Track Record Period and up to the Latest Practicable Date, Jingyi Secondary School	Jingyi Secondary School engaged in such non-compliance incidents mainly because, based on the best knowledge of the Directors, these were local market practices, and Jingyi Secondary School did not implement effective internal control measures at the time to ensure compliance with the applicable laws and regulations.	Our PRC Legal Advisors have advised us that (i) with respect to the admission of the students enrolled in the training program, private primary and secondary schools in Wenzhou that admitted these students not in accordance with the annual student admission plan approved by the relevant PRC education authorities may be subject to a reduction of student enrollment quota based on the number of such students admitted. In certain serious situations, the school may be ordered to rectify the non-compliance and in the event no rectification is made, such school shall be ordered to suspend student admissions; (ii) with respect to charging different tuition fee rates for students, if we fail to make the requisite filings with the relevant government pricing authorities in accordance with the Notice on Regulating the Management of Charges for Schools in Wenzhou, the illegal income may be confiscated, and a fine of not more	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident. (i) Beginning in the 2019/2020 school year, Jingyi Secondary School will cease admitting new students in the training program. Instead, Jiaxin Training, the wholly-owned subsidiary of WFOE 1, may admit new students who would like to receive training in the future in accordance with applicable PRC laws and regulations. (ii) On September 12, 2018, Jingyi Secondary School filed its tuition fee rates and training fees rates from the 2011/2012 school year to the 2018/2019 school year for each of its normal program, training program, and Rong Tong program to Yueqing Education	Our Directors are of the view that the potential maximum amount of penalty would not have a material and adverse impact on our Group. Therefore, based on the foregoing, our Directors believe that this non- compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.

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	Potential Impact on Our Operations and Financial Condition
charged a portion of tuition fees that were paid in advance by the students at the time when they first enrolled in the school for the next three school years. For the years ended December 31, 2016, 2017 and 2018, the total amount of advanced payments was approximately RMB3.0 million, RMB5.3 million, and RMB5.7 million, respectively.		than five times of the illegal income may be imposed. If the circumstances are serious, a fine between RMB500,000 and RMB2.0 million may be imposed; and (iii) with respect to requesting advanced payment of tuition fees in excess of a school year, if we failed to make the requisite filings with the relevant government pricing authorities in accordance with the Notice on Regulating the Management of Charges for Schools in Wenzhou, the illegal income may be confiscated, and a fine of not more than five times of the illegal income may be imposed. If the circumstances are serious, a fine between RMB500,000 and RMB2.0 million may be imposed.	Bureau and Yueqing Development and Reform Bureau. On the same date, Yueqing Education Bureau and Yueqing Development and Reform Bureau issued a confirmation confirming that the tuition fee standards and training fees standards charged by Jingyi Secondary School were in compliance with the applicable laws and regulations. As advised by our PRC Legal Advisors, Yueqing Education Bureau and Yueqing Development and Reform Bureau are competent authorities to confirm the matters relating to charging different tuition fee rates in Jingyi Secondary School. Each of Yueqing Education Bureau and Yueqing Development and Reform Bureau confirmed that due to proactive rectification measures taken by Jingyi Secondary School, it will not impose any penalty on Jingyi Secondary School during the period from 2011 to 2018. In addition, on October 8, 2018, Yueqing Development and Reform Bureau had issued a confirmation to us that (i) Jingyi Secondary School was not involved in any investigation or subject to any penalty in connection with any violation of the applicable laws and regulations; and (ii) there was no dispute with the PRC government authority relating to the compliance of the relevant laws and regulations of the pricing authority. Accordingly, based on	

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	Potential Impact on Our Operations and Financial Condition
			the foregoing, our PRC Legal Advisors have advised us that the confirmations were issued by competent authorities in the PRC and that the likelihood that Jingyi Secondary School will be penalized for this non-compliance incident is relatively small. (iii) Our Board undertakes that beginning in the 2019/2020 school year, Jingyi Secondary School will cease charging a portion of the tuition fees in advance. Our Board further undertakes that beginning in the 2019/2020 school year, Jingyi Secondary School will make the requisite filings for different fee standards for its students with the relevant government pricing authorities in accordance with the applicable laws and regulations and all such non-compliant practices will be terminated.	
3. During the Track Record Period, our Group incurred surcharge for overdue tax payment (滯納金) of RMB3.4 million and RMB4.0 million for the year ended December 31, 2017 and 2018, respectively, due to our delay in making the relevant tax payments for (i) the dividend income distributed to JH Holdings Group in 2015, 2016 and 2018; and (ii) the revenue generated from the training program in Jingyi Secondary School in 2018.	Such non-compliance incident occurred primarily due to a lack of comprehensive understanding of the relevant local tax regulations by our finance and accounting personnel and a lack of communication with the relevant government authorities with regard to specific local practices.	According to our PRC Legal Advisors, if a taxpayer fails to make a tax return, fails to pay or underpays the tax payable, the tax authorities shall pursue the payment of the tax not paid or underpaid, shall be subject to surcharge for overdue tax payment, and shall also impose a fine of not less than 50% and not more than five times the amount of the tax payable.	We have reviewed and strengthened our internal control policy and designated Ms. Zhang Ledi, financial manager of our Company, to closely monitor our ongoing compliance with the tax regulations. We have provided and will continue to provide relevant training to our finance and accounting staff to further enhance their understanding of the relevant local tax regulations and practices from time to time. Our Directors are comprehensively reviewing the existing tax non-compliance matters and expect to complete such inspection and clean up all tax non-compliance matters within the 2018 tax settlement period (before May 30, 2019).	Based on the foregoing, our Directors are of the view that such non-compliance incident will not have any potential material and adverse impact on our operations and financial condition.

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	Potential Impact on Our Operations and Financial Condition
			The enterprise tax return and enterprise tax payment of the dividend income earned by JH Holdings Group during the relevant time period had been rectified by us on August 23, 2018. In addition, the enterprise tax return and enterprise tax payment of the income from the provision of non-academic education earned by Jingyi Secondary School during the relevant time period had been rectified on August 28, 2018. Based on the confirmation letter we obtained in September 2018 from Yueqing Bureau of the State Administration of Taxation, JH Holdings Group has not been involved in any default tax payment, missed tax payment, tax evasions or any other violation of the applicable tax laws and regulations. Moreover, Yueqing Tax Bureau confirmed that there had been no circumstances in which JH Holdings Group was subject to penalties for any violation of the relevant tax laws and regulations. Our PRC Legal Advisors advised us that Yueqing Bureau of the State Administration of Taxation is a competent authority to issue such confirmation letter. In addition, based on a statement we obtained from Yueqing Bureau of the State Administration of Taxation in September 2018, Jingyi Secondary School has not been involved in any default tax payment, missed tax payment, tax	

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	Potential Impact on Our Operations and Financial Condition
			evasions or any other violation of the applicable tax laws and regulations. Yueqing Tax Bureau also confirmed that there were no circumstances in which Jingyi Secondary School was subject to penalties for any violation of the relevant tax laws and regulations. Our PRC Legal Advisors advised us that Yueqing Bureau of the State Administration of Taxation is a competent authority to issue such confirmation letter. Accordingly, our PRC Legal Advisors advised us that the risk that JH Holdings Group will be investigated and penalized by the Yueqing Bureau of the State Administration of Taxation for the dividend-related enterprise income tax issues is relatively low, and that the risk that Jingyi Secondary School will be penalized by the Yueqing Bureau of the State Administration of Taxation for the training program related enterprise income tax issues is also relatively low.	

Considering the nature, scale, reasons and potential impact of the non-compliance incidents disclosed in the section headed "— Legal Proceedings and Compliance" in this prospectus, our executive Directors are of the view that none of the non-compliance incidents is fundamental to the day-to-day operations of our PRC Operating Schools.

Views of our Directors and the Sole Sponsor

Our Directors are of the view that the occurrence of the aforementioned non-compliance incidents was principally due to the lack of knowledge of and familiarity with the applicable legal requirements rather than any material deficiencies in our internal control system. As part of the listing process, our Directors have undergone directors' training and have also engaged Hong Kong and PRC legal advisers to advise them on applicable legal or regulatory requirements. After considering the above rectification and improvement actions taken by our Company, and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules. In addition, after making enquiries of our Directors and interviewing the internal control consultant of our Company regarding our internal control system, nothing has come to the Sole Sponsor's attention that our Company's enhanced internal control measures are inadequate and ineffective. In addition, we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from the aforementioned non-compliance incidents. Based on the above, the Sole Sponsor is of the view that these past non-compliance incidents do not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent consulting firm (the "Internal Control Consultant") in June 2018 to conduct an independent review on the key internal control measures and procedures relating to revenue and collection, purchase and payment, fixed asset management, human resources, financial management, financial reporting, taxation and insurance. The Internal Control Consultant provided recommendations in relation to strengthening the internal controls over the aforesaid major business processes to our management for consideration. We have taken the recommendations and have implemented relevant control measures. The Internal Control Consultant performed a follow-up review on our rectified controls in October 2018. Having considered the report prepared by our Internal Control Consultant, our Directors confirmed that all of major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses.

We plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance. Our Mr. Chen Shu, Mr. Chen Lingfeng and Mr. Chen Nansun, and certain school principals of each of our schools are responsible for ensuring our overall on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures.

In addition, we have adopted a set of internal rules and policies governing the conduct of our teachers and employees. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our Audit Committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to (i) accept or pay bribes or rebates; (ii) illegally use our assets, embezzlement or misappropriation of our assets; and (iii) forge or alter our accounting records. We will offer mandatory training courses to our existing and new employees to enhance their knowledge and awareness of the relevant rules and regulations, as well as their own personal and professional conduct. Moreover, we have instituted remedies and relevant economic and administrative punishment for those employees who are involved in corruption and bribery activities. During the Track Record Period, we were not aware of any corruption involving, or any other material misconduct committed by our employees.

Taking into account the internal control measures implemented by us in connection with the non-compliance incidents disclosed in the section headed "— Legal Proceedings and Compliance" in this prospectus, 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 our Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability of our Directors is compliant with Listing Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for listing under Rule 8.04 of the Listing Rules. Based on its review of the internal control report and other due diligence documents, discussions with our Directors, the Internal Control Consultant and our PRC Legal Advisors and our Directors' confirmation, the Sole Sponsor concurs with the views of our Directors.

Risk Management

Our business is exposed to various risks and we believe that risk management is essential to our growth and success. Key operational risks faced by us include, among other things, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC education industry, our ability to offer high quality education to our students, our ability to increase student enrollment and/or raising tuition fee rates based on the corresponding educational service we provide, our potential expansion into other regions in China or overseas, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar quality of education and have similar operating scale. See the section headed "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we face numerous market risks, such as interest rate, credit, liquidity and currency risks that arise in the ordinary course of our business.

For a discussion on these market risks, see the section headed "Financial Information – Financial Risk Management Objectives and Policies" in this prospectus.

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 our joint venture school, and is in charge of managing the overall risks of our Company. It is also responsible for considering, reviewing and approving any significant business decisions involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition fees, and to enter into cooperative business arrangements with third parties to establish new schools and/or new programs;

- We maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance; and

- We have made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders, namely Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun, Ms. Zhang Xuli, Guo's Investment Holdings Limited, Chun's Investment Holdings Limited, Cao's Investment Holdings Limited, Shu's Investment Holdings Limited, Feng's Investment Holdings Limited, CNS Investment Holdings Limited and ZXL Investment Holdings Limited, being a group of Controlling Shareholders, will together control the exercise of voting rights of 75% of our Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme). According to an acting in concert confirmation signed by Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun and Ms. Zhang Xuli dated October 9, 2018, (i) Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao and Mr. Chen Yutian are brothers and have been acting in concert in relation to the school sponsor's interests held by them in Jingyi Secondary School and the equity interests held by them in JH Holdings Group since their respective establishment dates; (ii) Mr. Chen Shu and Mr. Chen Lingfeng have been acting in concert with Mr. Chen Yuguo in relation to the equity interests held by them in JH Holdings Group since the date when Mr. Chen Shu and Mr. Chen Lingfeng obtained the equity interests in JH Holdings Group granted by Mr. Chen Yuguo; (iii) Mr. Chen Nansun has been acting in concert with Mr. Chen Yucao in relation to the equity interests held by him in JH Holdings Group since the date when Mr. Chen Nansun obtained the equity interests in JH Holdings Group granted by Mr. Chen Yucao; (iv) Ms. Zhang Xuli has been acting in concert with Mr. Chen Yutian in relation to the equity interests held by her in JH Holdings Group since the date when Ms. Zhang Xuli obtained the equity interests in JH Holdings Group granted by Mr. Chen Yutian; (v) Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun and Ms. Zhang Xuli have been acting in concert in relation to their interest in our Company since its incorporation; and (vi) the acting in concert arrangement of (i) to (v) above will continue in the future with respect to all operation and management decisions to be made by any shareholders' meeting or board meeting of our Company, JH Holdings Group, Jingyi Secondary School and our other PRC Consolidated Affiliated Entities.

Competition

Each of our Controlling Shareholders confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Information on Other Company Owned by Our Controlling Shareholders

We are currently engaged in the provision of private formal higher education and high school education. Mr. Chen Shu ("Mr. Chen"), one of our Controlling Shareholders, currently holds 90% of the equity interest in Hangzhou Guangcheng Property Service Co., Ltd.* (杭州廣誠物業服務有限公司), primarily engaged in property management which is in different industry and sector from our business. Save as disclosed above, none of our Controlling Shareholders holds interest in companies other than our Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective close associates after completion of the Global Offering.

Management Independence

Our Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Chen Yuguo, a Controlling Shareholder, is the chairman and an executive Director. Each of Mr. Chen Yuchun, Mr. Chen Shu, Mr. Chen Lingfeng and Mr. Chen Nansun, our Controlling Shareholders, is an executive Director. Ms. Zhang Xuli, a Controlling Shareholder, is a non-executive Director.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

We have also established a set of internal control procedures to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their close associates upon the Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

During the Track Record Period, our Group had certain amounts due to/from our Controlling Shareholders. See note 32 of the Accountants' Report of our Group in Appendix IA to this prospectus for more information. The amount due to our Controlling Shareholders and the amount due from our Controlling Shareholders had been fully settled as of the Latest Practicable Date.

Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation Given by Directors

Each Director, including Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun and Ms. Zhang Xuli, confirms that he or she does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Structured Contracts;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Structured Contracts; and

(c) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Structured Contracts in the annual report of our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the Listing, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31, 2019	2020	2021
	Exempt continuing connected transactions					
1	Logistics Service Agreement	14A.34, 14A.52, 14A.53, 14A.76	N/A	Nil	Nil	Nil
	Non-exempt continuing connected transactions					
1	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders' approval and annual cap	N/A	N/A	N/A

Exempt Continuing Connected Transactions

(1) Logistics Service Agreement

Pursuant to a logistics service agreement (the "Logistics Service Agreement") dated August 1, 2018 entered into between Changzheng College and Hangzhou Guangcheng Property Service Co., Ltd.* (杭州廣誠物業服務有限公司) ("Guangcheng Property"), Changzheng College has agreed to entrust Guangcheng Property to operate and maintain the air conditioners and water heaters in the student dormitories within Changzheng College at nil consideration for a term of three years from August 1, 2018 to July 31, 2021.

Pursuant to the Logistics Service Agreement, Guangcheng Property shall operate and maintain the air conditioners and water heaters in the student dormitories of Changzheng College in accordance with relevant industrial and national quality standards and shall be entitled to receive service fees from students directly. Such service fees charged by Guangcheng Property on students of Changzheng College shall be subject to supervision and advice from Changzheng College and its teachers and students and any adjustment made to the service fee amount or charging standards shall be reviewed and approved by Changzheng College.

Listing Rule Implications

Guangcheng Property is held as to 90% by Mr. Chen Shu, an executive Director and a Controlling Shareholder, and hence an associate of Mr. Chen Shu and a connected person of our Company according to Rule 14A.12 of the Listing Rules. Since no fee has been or will be charged on Guangcheng Property under the Logistics Service Agreement, the connected transaction contemplated under the Logistics Service Agreement constitutes a *de minimis* connected transaction under Rule 14A.76 of the Listing Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Historical Amount and Annual Caps

Historically, no fees were charged by Changzheng College for entrusting Guangcheng Property to operate and maintain the air conditioners and water heaters in the student dormitories. The annual cap for the years ending December 31, 2019, 2020 and 2021 is nil, nil and nil, respectively.

Non-exempt Continuing Connected Transactions

(1) Structured Contracts

As disclosed in the paragraph headed "Structured Contracts – Background of the Structured Contracts" in this prospectus, the PRC laws and regulations currently restrict the operation of formal higher education and high school education to Sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. Further, no government approval for establishing and operating a formal higher education institution and a high school education school in the PRC by way of Sino-foreign ownership was granted. As a result, our Group, through the WFOEs, JH Holdings Group and its subsidiaries Jingyi Secondary School, College of Information and Business, the Shareholders of JH Holdings Group and the School Sponsors of Jingyi Secondary School have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Schools while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Schools, to the extent permitted by PRC law and regulations, and the right to acquire the equity interest in and/or the assets of our PRC Consolidated Affiliated Entities after the Listing through the WFOEs. As we operate our education business through our PRC Operating Schools, which are controlled by their respective school sponsors and we do not hold any direct equity interest in our PRC Operating Schools, the Structured Contracts were entered into on November 7, 2018 pursuant to which all material business activities of our PRC Operating Schools are instructed and supervised by our Group, through the WFOEs, and the relevant economic benefits arising from such business of our PRC Operating Schools are transferred to our Group.

The Structured Contracts consist of the Structured Contracts I and the Structured Contracts II. The Structured Contracts I consist of a series of agreements, including (i) the Business Cooperation Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries, and the Shareholders of JH Holdings Group; (ii) the Exclusive Technical Service and Management Consultancy Agreement entered into by and among the WFOE 1, JH Holdings Group and its subsidiaries; (iii) the Exclusive Technical Service and Management Consultancy Agreement entered into between the WFOE 1 and College of Information and Business; (iv) the Exclusive Call Option Agreement entered into by and among the WFOE 1, the Shareholders of JH Holdings Group, and JH Holdings Group and its subsidiaries; (v) the Shareholders' Rights Entrustment Agreement entered into by and among the WFOE 1, the Shareholders of JH Holdings Group and JH Holdings Group; (vi) the Shareholder's Powers of Attorney; (vii) the Equity Pledge Agreement entered into by and among the WFOE 1, the WFOE 2, the Shareholders of JH Holdings Group and JH Holdings Group; and (viii) the Loan Agreement entered into by among the WFOE 1, JH Holdings Group and its subsidiaries, each of which is an integral part of the Structured Contracts I. The Structured Contracts II consist of a series of agreements, including (i) the Business Cooperation Agreement entered into by and among the WFOE 2, Jingyi Secondary School, and the School Sponsors of Jingyi Secondary School; (ii) the Exclusive Technical Service and Management Consultancy Agreement entered into between WFOE 2 and Jingyi Secondary School; (iii) the Exclusive Call Option Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School, the school directors of Jingyi Secondary School and Jingyi Secondary School; (iv) the School Sponsors' and Directors' Rights Entrustment Agreement; (v) the School Sponsor's Powers of Attorney; (vi) the Directors' Powers of Attorney; (vii) the Accounts Receivable Pledge Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School; and (vii) the Loan Agreement entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, each of which is an integral part of the Structured Contracts II. See "Structured Contracts" in this prospectus for details of these agreements.

Listing Rule Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Chen Yuguo	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Shu	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Lingfeng	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Yuchun	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Ms. Zhang Xuli	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Nansun	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Yutian	a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Chen Yucao	a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, and that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transaction rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and the independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the equity or school sponsor's interest held by the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School, as the case may be, at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business, and Jingyi Secondary School is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOEs by JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School under the Exclusive Technical Service and Management Consultancy Agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School as appointed by the Shareholders of JH Holdings Group or the School Sponsors of Jingyi Secondary School in JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, as the case may be.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School has been substantially retained by our Group, (ii) no dividends or other distributions have been made by JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our

Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School 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 JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School will undertake that, for so long as our Shares are listed on the Stock Exchange, each of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School and Our Company

Given that the financial results of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School have been consolidated into our financial results and the relationship between JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School and our Company in the future will also be exempt from the "continuing connected transactions" provisions of the Listing Rules.

Views of our Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice (i) to ensure that (a) the financial and operational policies of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School can be effectively controlled by the WFOEs or their designee, (b) the WFOEs or their designee can obtain the economic benefits derived from JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School, and (c) any possible leakages of assets and values of JH Holdings Group and its subsidiaries, Changzheng College, College of Information and Business and Jingyi Secondary School can be prevented, on an uninterrupted basis; and (ii) based on the Sole Sponsor's analysis of other public comparable companies engaging in private higher education in the PRC, in which cases, the relevant structured contracts all have a term of over three years.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consists of nine Directors. Five of them are executive Directors, one of them is a non-executive Director and three of them are independent non-executive Directors. The table below sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Chen Yuguo (陳餘國)	58	September 1997	June 23, 2017	Chairman, chief executive officer and executive Director	Overall management and strategic development of our Group and management of Jingyi Secondary School	Younger brother of Mr. Chen Yuchun, father of Mr. Chen Shu and Mr. Chen Lingfeng, uncle of Mr. Chen Nansun and brother-in-law of Ms. Zhang Xuli
Mr. Chen Yuchun (陳餘春)	67	September 1997	November 3, 2018	Executive Director	Campus infrastructure construction of Changzheng College	Elder brother of Mr. Chen Yuguo, uncle of Mr. Chen Nansun, Mr. Chen Shu and Mr. Chen Lingfeng, and brother-in-law of Ms. Zhang Xuli
Mr. Chen Shu (陳澍)	33	March 2009	November 3, 2018	Executive Director and assistant to the chairman	Logistics, procurement and external cooperation of Changzheng College	Son of Mr. Chen Yuguo, elder brother of Mr. Chen Lingfeng, nephew of Mr. Chen Yuchun and Ms. Zhang Xuli, and cousin of Mr. Chen Nansun
Mr. Chen Nansun (陳南蓀)	33	September 2008	November 3, 2018	Executive Director	Management of students of Changzheng College	Nephew of Mr. Chen Yuchun, Mr. Chen Yuguo and Ms. Zhang Xuli, and cousin of Mr. Chen Shu and Mr. Chen Lingfeng

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Chen Lingfeng (陳淩峰)	30	November 2015	November 3, 2018	Executive Director	Management of students and logistics of College of Information and Business	Son of Mr. Chen Yuguo, younger brother of Mr. Chen Shu, nephew of Mr. Chen Yuchun and Ms. Zhang Xuli, and cousin of Mr. Chen Nansun
Ms. Zhang Xuli (張旭麗)	52	November 2018	November 3, 2018	Non-executive Director	Providing opinion and judgment to our Board	Sister-in-law of Mr. Chen Yuchun and Mr. Chen Yuguo, and aunt of Mr. Chen Shu, Mr. Chen Nansun and Mr. Chen Lingfeng
Mr. Chen Danhua (陳丹華)	50	November 2018	November 3, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Fung Nam Shan (馮南山)	42	November 2018	November 3, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Wang Yuqing (王裕清)	66	November 2018	November 3, 2018	Independent non-executive Director	Providing independent opinion and judgment to our Board	None

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Lyu Zhenhe (呂振合)	54	June 2007	November 4, 2018	Principal of College of Information and Business	Overall management and operation of College of Information and Business	None
Mr. Wang Qijun (王其軍)	56	April 2010	November 4, 2018	Administrative vice principal (常務副院長) of Changzheng College	Administrative matters, management of office, finance, human resources and external affairs of Changzheng College	None
Mr. Du Baoshan (杜寶山)	55	January 2010	November 4, 2018	Vice principal of Changzheng College	Supervision on teaching activities of Changzheng College	None
Ms. Zhang Ledi (張樂弟)	44	September 1997	November 4, 2018	Financial manager of our Company	Financial control of our Company	None

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Yuguo (陳餘國), aged 58, the founder of our Group, was appointed as the chairman of the Board, chief executive officer and an executive Directors of our Company on June 2017 and is in charge of the overall management and strategic development of our Group and management of Jingyi Secondary School.

Mr. Chen has more than 21 years of experience in education. The following table shows the key work experience of Mr. Chen:

Period	Company	Position	Roles and responsibilities
September 1997 to present	Jingyi Secondary School	Chairman of the board of directors	Overall work of the board of directors
July 2000 to August 2017	Zhejiang Changzheng College of Finance & Economics* (浙江長征財經進修學院), known as Changzheng College since December 2000	Chairman of the board of directors	Overall work of the board of directors and major decision making
August 2017 to present	Changzheng College	Chairman of the board of directors	Overall work of the board of directors and major decision making

Mr. Chen obtained the qualification as senior engineer granted by Chenzhou Personnel Bureau* (郴州市人事局) in November 2010. He was awarded as "Zhejiang Province Outstanding Private Entrepreneur" for the year 2014.

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Chen Yuchun (陳餘春), aged 67, the founder of our Group, was appointed as an executive Director of our Company on November 3, 2018, responsible for campus infrastructure construction of Changzheng College.

Mr. Chen has more than 21 years of experience in education.

From September 1997 to December 2002, Mr. Chen was the director of Jingyi Secondary School, his roles and responsibilities included campus infrastructure construction and so on. From June 2003 to present, Mr. Chen was the executive director of Changzheng College, his roles and responsibilities included campus infrastructure construction and so on.

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Chen Shu (陳澍) whose former name was Chen Ru (陳如), aged 33, joined our Group in March 2009 and was appointed as an executive Director of our Company on November 3, 2018, responsible for logistics, procurement and external cooperation of Changzheng College.

Mr. Chen has more than 10 years of experience in education.

From March 2009 to present, Mr. Chen was the assistant to the chairman of the board of directors of Changzheng College, his roles and responsibilities included logistics, procurement and external cooperation.

Mr. Chen graduated from the Hubei University of Economics (湖北經濟學院) in Wuhan City, Hubei Province, the PRC with a degree of bachelor of administration in June 2008. He graduated from the University of Electronic Science and Technology of China (電子科技大學) in Chengdu City, Sichuan Province, the PRC with a degree of master of engineering in June 2014.

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Chen Nansun (陳南蓀), aged 33, joined our Group in September 2008 and was appointed as an executive Director of our Company on November 3, 2018, responsible for management of students of Changzheng College.

Mr. Chen has approximately 10 years of experience in education.

From September 2008 to present, Mr. Chen has been acting as the deputy officer of the students affairs department of Changzheng College, and is responsible for student management related matters.

Mr. Chen graduated from the Wuhan University of Science and Technology (武漢科技大學) in Wuhan City, Hubei Province, the PRC majoring in international economics and trade in June 2008. He graduated from the University of Electronic Science and Technology of China (電子科技大學) in Chengdu City, Sichuan Province, the PRC with a degree of master of engineering in June 2013.

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Chen Lingfeng (陳淩峰), aged 30, joined our Group in November 2015 and was appointed as an executive Director of our Company on November 3, 2018, responsible for the management of students and logistics of College of Information and Business.

From November 2015 to present, Mr. Chen was the assistant to the principal of College of Information and Business, his roles and responsibilities included student enrollment and employment, school logistics and security.

Mr. Chen graduated from Shanghai Jian Qiao University (上海建橋學院) in Shanghai City, the PRC studying business administration (marketing) in July 2009. He was enrolled in Bilingo-China International College, Beijing Foreign Studies University (北京外國語大學北外諾加國際教育學校) from September 2009 to June 2010 and completed all courses of the Pre-Master program in Business Administration. He graduated from Teesside University in Middlesbrough, the United Kingdom, with a degree of master of science in September 2012.

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Non-executive Director

Ms. Zhang Xuli (張旭麗), aged 52, was appointed as a non-executive Director of our Company on November 3, 2018.

From August 1985 to present, Ms. Zhang was the deputy head of medical center of the People's Hospital of Yueqing City* (樂清市人民醫院), her roles and responsibilities included overall management and operation of medical center.

Ms. Zhang studied clinical care in Wenzhou Medical College* (溫州醫學院) in Wenzhou City, Zhejiang Province, the PRC and obtained the professional certificate of clinical nursing (long-distance course) in July 1996. She graduated from China Central Radio & TV University (中央廣播電視大學) in Beijing City, the PRC studying laws in July 2004. She graduated from Zhejiang University (浙江大學) studying public services management (online course) in October 2008. She graduated from the program of master of business administration in Renmin Business School of Renmin University of China (中國人民大學商學院) in Beijing City, the PRC, in September 2009.

Ms. Zhang did not hold any directorship in any listed companies during the last three years.

Independent non-executive Directors

Mr. Chen Danhua (陳丹華), aged 50, was appointed as an independent non-executive Director of our Company on November 3, 2018.

The following table shows the key work experience of Mr. Chen:

Period	Company	Position	Roles and responsibilities
May 2001 to November 2011	Deutsche Bank AG, Hong Kong Branch	Managing director and Beijing chief representative	Corporate and Investment Banking
September 2007 to September 2011	Beijing Guohua Real Estate Co. Ltd.	Director of the Board	Director matters
November 2011 to August 2014	Macquarie Capital (Hong Kong) Limited	Managing director, chief officer of Principal Investments, and head of TMET	Principal Investments and TMET
September 2014 to May 2017	Ally Bridge Group (HK) Limited	Partner and managing director	Investment
October 2017 to September 2018	Dragon Investment Advisory Company Limited	Partner	Private Equity Investment
October 2018 to April 2019	China Minsheng Financial Holding Corporation Limited	Managing director and head of private equity	Private equity investment
6 May 2019 to present	HOPU (Hong Kong) Investment Consultancy Company Limited	Managing director	Investment

Mr. Chen graduated from China Foreign Affairs University (外交學院) in Beijing City, the PRC with a degree of bachelor of arts in 1990. He graduated from the University of Birmingham (伯明罕大學) in Birmingham, the United Kingdom with a degree of master of business administration in 1995.

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Fung Nam Shan (馮南山), aged 42, was appointed as an independent non-executive Director of our Company on November 3, 2018.

The following table shows the key work experience of Mr. Fung:

Period	Company	Position	Roles and responsibilities
October 2007 to November 2009	PricewaterhouseCoopers	Audit manager	Auditing and accounting
December 2009 to February 2011	Sinocom Management (B) Limited	Financial controller	Finance related matters

Period	Company	Position	Roles and responsibilities
February 2011 to April 2013	South China Assets Holding Limited, formerly known as South China Land Limited (Stock code: 8155)	Financial controller and company secretary	Daily financial management, provision of financial and taxation advisory service and provision for budgetary control on development and construction projects
May 2013 to present	CityLinkers Corporate Solutions Limited	Partner	Loan management, providing financing advice and financial consultancy service
July 2014 to present	Seamless Green China (Holdings) Limited (Stock code: 8150)	Company secretary and authorized representative	Company secretarial matters
May 2015 to May 2017	China Ocean Fishing Holdings Limited (Stock code: 8047)	Company secretary and authorized representative	Company secretarial matters
May 2015 to present	Energy International Investments Holdings Limited (Stock code: 353)	Independent non-executive director	Providing opinion and judgment to the board
November 2015 to October 2016	Future Bright Mining Holdings Limited (Stock code: 2212)	Joint company secretary	Compliance
November 2015 to present	Thelloy Development Group Limited (Stock code: 1546)	Company secretary	Company secretarial matters
February 2016 to present	Camsing International Holding Limited (Stock code: 2662)	Company secretary	Company secretarial matters

Period	Company	Position	Roles and responsibilities
March 2016 to present	Yat Sing Holdings Limited	Company secretary and authorized representative	Company secretarial matters

Mr. Fung graduated from the University of Newcastle (紐卡素大學) in Australia with a bachelor's degree of commerce. Mr. Fung is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, and is a Certified Practicing Accountant of CPA Australia.

Save as disclosed above, Mr. Fung did not hold any directorship in any listed companies during the last three years.

Mr. Wang Yuqing (王裕清), aged 66, was appointed as an independent non-executive Director of our Company on November 3, 2018.

The following table shows the key work experience of Mr. Wang:

Period	Company	Position	Roles and responsibilities
February 1992 to January 1997	Jiaozuo Coal Mining School	Deputy director of Dean's Office	Management matters relating to his position
February 1997 to December 2002	Jiaozuo Coal Mining School	Dean of Adult Education College and the Head of Admission Office, Dean of School of Higher Vocational Education	Administrative matters and students enrollment relating to his position
December 2002 to May 2005	Jiaozuo Coal Mining School	Dean of Wanfang College of Science & Technology, Dean of Adult Education College, Dean of School of Higher Vocational Education	Administrative matters relating to his position
May 2005 to September 2006	Henan Polytechnic University	Dean of Wanfang College of Science & Technology	Administrative matters relating to his position
October 2006 to October 2008	Henan Polytechnic University	Assistance to Principal of Henan Polytechnic University and Dean of Wanfang College of Science & Technology	Administrative matters relating to his position

Period	Company	Position	Roles and responsibilities
October 2008 to October 2013	Henan Polytechnic University	Vice principal of Henan Polytechnic University and Dean of Wanfang College of Science & Technology	Administrative matters relating to his position
October 2013 to March 2018	Henan Polytechnic University	Dean of Wanfang College of Science & Technology	Administrative matters relating to his position

Mr. Wang graduated from the Jiaozuo Coal Mining School (焦作礦業學院), currently known as the Henan Polytechnic University (河南理工大學) in Jiaozuo City, Henan Province, the PRC studying engineering in 1978. He graduated from the Taiyuan Polytechnic University* (太原工業大學), currently known as the Taiyuan University of Technology (太原理工大學) in Taiyuan City, Shanxi Province, the PRC with a degree of master of engineering in 1995.

Mr. Wang did not hold any directorship in any listed companies during the last three years.

SENIOR MANAGEMENT

Mr. Lyu Zhenhe (呂振合), aged 54, joined our Group in 2007 and was appointed as a senior management of our Company on November 4, 2018. Mr. Lyu has more than 32 years of experience in education and is responsible for the overall management and operation of College of Information and Business.

The following table shows the key work experience of Mr. Lyu:

Period	Company	Position	Roles and responsibilities
July 1986 to September 1994	Forestry College of Inner Mongolia Agricultural University	Teacher of department of social science	Teaching activity
September 1994 to February 1996	Forestry College of Inner Mongolia Agricultural University	Section chief of propaganda department of party committee (黨委宣傳部科長)	Party committee matters relating to his position
February 1996 to March 1997	Forestry College of Inner Mongolia Agricultural University	Vice minister of propaganda department of party committee (黨委宣傳部副部長)	Party committee matters relating to his position

Period	Company	Position	Roles and responsibilities
March 1997 to June 1999	Forestry College of Inner Mongolia Agricultural University	Deputy director of party committee organization (黨委辦公室副主任)	Party committee matters relating to his position
June 1999 to November 2001	Inner Mongolia Agricultural University	Deputy director of party committee organization (黨委辦公室副主任)	Party committee matters relating to his position
November 2001 to December 2004	Inner Mongolia Agricultural University	Director of research department of higher education (高等教育研究室主任)	Overall management and research relating to his position
June 2007 to September 2007	Changzheng College	Vice principal	Overall administrative management, and management on office, human resources, finance and external affairs
September 2007 to September 2009	Changzheng College	Administrative vice principal	Overall administrative management, and management on office, human resources, finance and external affairs
September 2009 to February 2016	Changzheng College	Executive principal	Overall administrative management, and management on office, human resources, finance and external affairs
December 2015 to May 2016	Zhejiang Guangsha College of Applied Construction Technology	Vice principal	Teaching activities
April 2017 to March 2018	College of Information & Business	Administrative vice principal	Administrative matters relating to his position
March 2018 to present	College of Information & Business	Principal	Overall management relating to his position

Mr. Lyu graduated from Inner Mongolia University (內蒙古大學) in Huhehaote City, Inner Mongolia, the PRC with a degree of bachelor of philosophy in July 1986. He graduated from Beijing Normal University (北京師範大學) with a degree of doctor of laws in June 2005. He graduated from Tsinghua University (清華大學) in Beijing, the PRC doing postdoctoral research on philosophy from July 2005 to June 2007.

Mr. Lyu did not hold any directorship in any listed companies during the last three years.

Mr. Wang Qijun (王其軍), aged 56, joined our Group in 2010 and was appointed as a senior management of our Company on November 4, 2018. Mr. Wang has more than 8 years of experience in education.

Mr. Wang joined Changzheng College in April 2010, and currently he is a secretary of party committee (黨委書記), and administrative vice principal (常務副院長) of Changzheng College. His roles and responsibilities include administrative matters, management of office, finance, human resources and external affairs of Changzheng College.

Mr. Wang Qijun graduated from China College of Mining and Technology (中國礦業學院), currently known as China University of Mining and Technology (中國礦業大學) in Xuzhou City, Jiangsu Province, the PRC with a degree of bachelor of engineering in July 1986. He graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou City, Jiangsu Province, the PRC with a degree of master of engineering in December 2003. He graduated from Shandong University of Science and Technology (山東科技大學) in Qingdao City, Shandong Province, the PRC with a degree of doctor of engineering in June 2007.

Mr. Wang did not hold any directorship in any listed companies during the last three years.

Mr. Du Baoshan (杜寶山), aged 55, joined our Group in 2010 and was appointed as a senior management of our Company on November 4, 2018. Mr. Du has more than 9 years of experience in education and is responsible for the supervision on teaching activities of Changzheng College.

From January 2010 to February 2017, Mr. Du was the vice principal of Changzheng College, his roles and responsibilities included teaching activities. Since February 2017 to present, Mr. Du is the vice principal and member of party committee (黨委委員) of Changzheng College, his roles and responsibilities include teaching activities.

Mr. Du graduated from Inner Mongolia Normal University (內蒙古師範大學) in Huhehaote City, Inner Mongolia, the PRC with a degree of bachelor of science in July 1987. He graduated from Jilin University (吉林大學) in Changchun City, Jilin Province, the PRC with a degree of master of science in November 2000.

Mr. Du did not hold any directorship in any listed companies during the last three years.

Ms. Zhang Ledi (張樂弟), aged 44, joined our Group in 1997 and was appointed as a financial manager of our Company on November 4, 2018. Ms. Zhang has more than 21 years of experience in education and is responsible for party committee affairs and discipline inspection of Changzheng College, and financial control of our Company.

From September 1997 to June 2000, Ms. Zhang was the financial manager of Jingyi Secondary School, and was responsible for finance related works. From July 2000 to present, Ms. Zhang is the vice secretary of party committee (黨委副書記) and secretary of commission for discipline inspection (紀委書記) of Changzheng College, and her roles and responsibilities included party committee matters and discipline inspection.

Ms. Zhang graduated from Hangzhou Institute of Applied Engineering (杭州應用工程技術學院), currently known as Zhejiang University of Science and Technology (浙江科技學院) in Hangzhou City, Zhejiang Province, the PRC studying computer application taught by correspondence in July 1998. She graduated from Hunan University (湖南大學) in Changsha City, Hunan Province, the PRC studying undergraduate program transferred from junior college of accounting in September 2004. She graduated from University of Electronic Science and Technology of China (電子科技大學) in Chengdu City, Sichuan Province, the PRC with a degree of master of engineering in December 2012. She obtained the qualification as senior economist granted by Senior Position Review Committee of Chuzhou Municipal Economic and Trade Association* (滁州市經會統系列高級職務評審委員會) on June 22, 2012.

Ms. Zhang did not hold any directorship in any listed companies during the last three years.

COMPANY SECRETARY

Ms. Mak Po Man Cherie (麥寶文), aged 44, was appointed as a company secretary on November 4, 2018. Ms. Mak is the Assistant Vice President of SWCS Corporate Services Group (Hong Kong) Limited. She has worked for various professional firms and listed companies in Hong Kong, with over 15 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. Mak holds a Master of Corporate Governance degree. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Fung Nam Shan, Mr. Chen Danhua and Mr. Wang Yuqing. The chairman of the audit committee is Mr. Fung Nam Shan.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Wang Yuqing, Mr. Chen Danhua and Mr. Fung Nam Shan. The chairman of the remuneration committee is Mr. Wang Yuqing.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board. The nomination committee consists of three members, namely, Mr. Chen Danhua, Mr. Fung Nam Shan and Mr. Wang Yuqing. The chairman of the nomination committee is Mr. Chen Danhua.

CORPORATE GOVERNANCE

The Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and Rule 13.92 of the Listing Rules.

Board Diversity

We have adopted a board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward. Our Board comprises nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Furthermore, our Board has a wide range of age, ranging from 30 years old to 67 years old. We also have a good mix of new and experienced Directors that four of our executive Directors have joined our Group for more than 10 years, who have valuable knowledge and insights of our Group's business over the years, while the other Directors are expected to bring in fresh ideas and new perspectives to our Group. Our nomination committee will: (i) report annually, in the corporate governance report contained in our annual report, on the Board's composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (ii) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

REMUNERATION POLICY

For the three years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group was approximately RMB1.70 million, RMB1.72 million and RMB2.00 million, respectively.

For the three years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was approximately RMB0.91 million, RMB1.04 million and RMB1.33 million, respectively.

During the Track Record Period, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 will be approximately HK$2.88 million.

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on May 30, 2019. For further details, see "Appendix V — Statutory and General Information — F. Share Option Scheme" to this prospectus.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Management Presence" in this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Southwest Securities (HK) Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of Southwest Securities (HK) Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

The code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chen Yuguo is the chairman of the Board and the chief executive officer of the Company. As Mr. Chen Yuguo has been managing our Group's business and overall strategic planning since the establishment of our PRC Consolidated Affiliated Entities, our Directors consider that the vesting of the roles of chairman and chief executive officer in Mr. Chen Yuguo is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Save as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code under Appendix 14 to the Listing Rules.

Immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting Shares carrying rights to vote in all circumstances at general meetings of our Company:

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Guo's Investment Holdings Limited	Beneficial owner(2)	378,000,000	23.625%
Mr. Chen Yuguo	Interest in a controlled corporation(2)	378,000,000	23.625%
Ms. Zhao Xiaoyan	Interest of spouse(3)	378,000,000	23.625%
Shu's Investment Holdings Limited	Beneficial owner(4)	216,000,000	13.5%
Mr. Chen Shu	Interest in a controlled corporation(4)	216,000,000	13.5%
Ms. Lin Yunru	Interest of spouse(5)	216,000,000	13.5%
Feng's Investment Holdings Limited	Beneficial owner(6)	216,000,000	13.5%
Mr. Chen Lingfeng	Interest in a controlled corporation(6)	216,000,000	13.5%
Chun's Investment Holdings Limited	Beneficial owner(7)	120,000,000	7.5%
Mr. Chen Yuchun	Interest in a controlled corporation(7)	120,000,000	7.5%
Ms. Zheng Suilan	Interest of spouse(8)	120,000,000	7.5%
ZXL Investment Holdings Limited	Beneficial owner(9)	120,000,000	7.5%
Ms. Zhang Xuli	Interest in a controlled corporation(9)	120,000,000	7.5%

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1) Number of Shares	Approximate percentage of shareholding in our Company
Mr. Chen Yutian	Interest of spouse(10)	120,000,000	7.5%
Cao's Investment Holdings Limited	Beneficial owner(11)	90,000,000	5.625%
Mr. Chen Yucao	Interest in a controlled corporation(11)	90,000,000	5.625%
Ms. Nan Luoqiu	Interest of spouse(12)	90,000,000	5.625%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Chen Yuguo is the sole shareholder of Guo's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Guo's Investment Holdings Limited upon the Listing.

(3) Ms. Zhao Xiaoyan is the spouse of Mr. Chen Yuguo and Ms. Zhao is therefore deemed to be interested in the Shares held by Mr. Chen Yuguo upon the Listing.

(4) Mr. Chen Shu is the sole shareholder of Shu's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Shu's Investment Holdings Limited upon the Listing.

(5) Ms. Lin Yunru is the spouse of Mr. Chen Shu and Ms. Lin is therefore deemed to be interested in the Shares held by Mr. Chen Shu upon the Listing.

(6) Mr. Chen Lingfeng is the sole shareholder of Feng's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Feng's Investment Holdings Limited upon the Listing.

(7) Mr. Chen Yuchun is the sole shareholder of Chun's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Chun's Investment Holdings Limited upon the Listing.

(8) Ms. Zheng Suilan is the spouse of Mr. Chen Yuchun and she is therefore deemed to be interested in the Shares held by Mr. Chen Yuchun upon Listing.

(9) Ms. Zhang Xuli is the sole shareholder of ZXL Investment Holdings Limited and she is therefore deemed to be interested in the Shares held by ZXL Investment Holdings Limited upon the Listing.

(10) Mr. Chen Yutian is the spouse of Ms. Zhang Xuli and he is therefore deemed to be interested in the Shares held by Ms. Zhang Xuli upon Listing.

(11) Mr. Chen Yucao is the sole shareholder of Cao's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Cao's Investment Holdings Limited upon the Listing.

(12) Ms. Nan Luoqiu is the spouse of Mr. Chen Yucao and she is therefore deemed to be interested in the Shares held by Mr. Chen Yucao upon Listing.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting Shares carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized Share Capital:

		US$
30,000,000,000	Shares	300,000,000

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 that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:

		US$	Approximate percentage of issued share capital (%)
1,000,000	Shares in issue as of the date of this prospectus	10,000	0.00
1,199,000,000	Shares to be issued under the Capitalization Issue	11,990,000	75.00
400,000,000	Shares to be issued under the Global Offering	4,000,000	25.00
1,600,000,000	Shares in total	16,000,000	100.00

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:

			Approximate percentage of issued share capital
		US$	*(%)*
1,000,000	Shares in issue as of the date of this prospectus	10,000	0.06
1,199,000,000	Shares to be issued under the Capitalization Issue	11,990,000	72.23
460,000,000	Shares to be issued under the Global Offering and the Over-allotment Option(2)	4,600,000	27.71
1,660,000,000	Shares in total	16,600,000	100.00

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 60,000,000 Shares will be issued upon the exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Articles of Association regarding alterations of share capital, see paragraph "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on May 30, 2019. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V — Statutory and General Information — F. Share Option Scheme" in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate number of Shares of not more than the sum of:

(i) 20% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 30, 2019" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix V — Statutory and General Information — A. Further Information about Our Company — 5. Repurchase of our Shares" in this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this share repurchase mandate, see the paragraph headed "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of the then Shareholders passed on May 30, 2019" in this prospectus.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report of our Group and our joint venture school set out in Appendix IA and Appendix IB to this prospectus, respectively. The Accountants' Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a leading provider of private formal higher education in Zhejiang province, China, as measured by student enrollment as of December 31, 2017, according to Frost & Sullivan. During the Track Record Period and up to July 5, 2018, we controlled and operated two schools, Changzheng College and Jingyi Secondary School, and also conducted certain aspect of operations of our then joint venture school, College of Information and Business. Since July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group, and have controlled and operated all three schools. As of December 31, 2018, our schools had a total of 32,068 enrolled students. We employed an aggregate of 1,188 teachers in our schools as of December 31, 2018.

We derive revenue mainly from tuition fees and boarding fees paid by the students of our schools. We generally require tuition fees and boarding fees received from the students in advance prior to the beginning of each academic year (and in the case of Jingyi Secondary School, at the beginning of each school semester), and are initially recorded as contract liabilities. The academic year is generally from September of the current year to August of the following year for Changzheng College and from August of the current year to July of the following year for Jingyi Secondary School. We recognize tuition fees proportionately each month over the nine-month period of the school year for Changzheng College and 10-month period of the school year for Jingyi Secondary School and boarding fees proportionately each month over the period of a nine months for Changzheng College and 10 months for Jingyi Secondary School. With respect to College of Information and Business, whose financial results we consolidated into our Group from July 6, 2018, tuition fees are recognized proportionately each month over a nine-month period of the school year (usually from September of the current year to August of the following year) whereas boarding fees are recognized proportionately each month over a 12-month period for non-graduating students and over a 10-month period for graduating students.

We experienced steady growth in our revenue and profit during the Track Record Period. Our revenue increased from RMB162.5 million for the year ended December 31, 2016 to RMB172.0 million for the year ended December 31, 2017 and further to RMB301.8 million for the year ended December 31, 2018. Taking into account share of profits of joint ventures, our profit for the year was RMB137.4 million, RMB190.6 million and RMB286.9 million for the years ended December 31, 2016 2017 and 2018, respectively. In addition, for the years ended December 31, 2016 and 2017, we recorded a share of profits of College of Information and Business of approximately RMB84.5 million and RMB101.3 million, respectively. We recorded a share of profits of College of Information and Business of RMB74.3 million for the period ended July 5, 2018. Beginning on July 6, 2018, we consolidated the results of College of Information and Business into the revenue of our Group.

BASIS OF PRESENTATION

Pursuant to the Corporate Reorganization, our Company became the holding company of the companies now comprising our Group on November 7, 2018. As the Corporate Reorganization involved inserting new holding companies and has not resulted in any change of economic substance, the historical financial information for the Track Record Period has been presented as a continuation of the existing companies using the pooling of interest method as if the Corporate Reorganization had been completed at the beginning of the Track Record Period.

During the Track Record Period, due to regulatory restrictions on foreign ownership in schools in the PRC, our business was carried out by JH Holdings Group and Jingyi Secondary School (the "PRC Operating Entities"). Pursuant to the Corporate Reorganization, Ningbo Jiaxin and Ningbo Xinyao, and our Company's wholly-owned subsidiaries have entered in the structured contracts with JH Holdings Group and Jingyi Secondary School's school sponsor. The arrangements of the Structured Contracts enable Ningbo Jiaxin and Ningbo Xinyao to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the PRC Operating Entities are controlled by our Company based on the Structured Contracts although it does not have direct or indirect equity interest in the PRC Operating Entities. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in this prospectus.

Our Group, including the PRC Operating Entities, were under the common control of Mr. Chen Yuguo, Mr. Chen Yucao, Mr. Chen Yuchun, Mr. Chen Yutian, (collectively, the "Controlling Parties") before and after the Corporate Reorganization. Accordingly, the historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Corporate Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all entities now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Parties, where this is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Parties' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Corporate Reorganization.

COLLEGE OF INFORMATION AND BUSINESS

College of Information and Business is an independent college. Pursuant to a series of agreements entered into on March 28, 2017 and June 12, 2018, College of Information and Business will be transformed, subject to regulatory approval from the relevant PRC government authorities, from an independent college to a private higher education institution, namely, Zhengzhou College of Economics & Business* (鄭州經貿學院), to be wholly-owned by our Group. Upon obtaining the relevant approval and registration and the execution of the structured contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, by College of Information and Business. See "History and Corporate Structure — Our PRC Consolidated Affiliated Entities — 3. College of Information and Business" in this prospectus.

Based on the cooperation arrangement we had with Zhongyuan University of Technology, from October 2006 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remainder of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures.

Pursuant to the agreement entered into by us and Zhongyuan University of Technology on March 28, 2017, Zhongyuan University of Technology transferred its remaining equity interest of the Main Campus to our Group and we were be able to solely control the daily operations of the College of Information and Business beginning on July 6, 2018, subsequent to which, the financial results of the College of Information and Business were consolidated into our consolidated financial statements. Zhongyuan University of Technology has been the owner of the North Campus, which was occupied and used by our Group for a consideration of the management fee payments to Zhongyuan University of Technology. Such management fee was calculated with reference to the number of students enrolled in the North Campus and the related revenue and gains and recognized as co-operation costs in the cost of sales of our Group.

The financial information of College of Information and Business for the years ended December 31, 2016 and 2017 and the periods ended July 5, 2017 and 2018 are included in the Accountants' Report of College of Information and Business in Appendix IB to this prospectus.

Due to the cooperation agreements entered into by JH Holdings Group and Zhongyuan University of Technology, the financial results of College of Information and Business were not consolidated into the financial results of our Group until July 6, 2018.

FACTORS AFFECTING OUR RESULTS OF CONTINUING OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education in China and Private High School Education in Zhejiang

The demand for private formal higher education in China is a function of a number of factors, including, among other things, the levels of economic development and changes in the demographics. Our business has historically benefited from the growth of China's economy and the increasing demand for private higher education in China. According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past five years, its per capita GDP has also increased at a fast pace. Per capita normal GDP in China grew from RMB43,320 in 2013 to RMB59,660 in 2017, representing a CAGR of approximately 8.3%, and is expected to reach RMB86,400 in 2022. The overall economic growth and the increase in per capita annual expenditure growth in the urban population in China will likely affect the demand for private higher education in the country. According to the Frost & Sullivan Report, the per capita annual expenditure on education of urban residents in Zhejiang grew from RMB1,284 in 2013 to RMB1,976 in 2017, represented a CAGR of 11.4% and the per capita annual expenditure on education of urban residents in Henan grew from RMB800 in 2013 to RMB1,243 in 2017, represented a CAGR of 11.6%. Therefore, we anticipate that the demand for private higher education in China will continue to increase. The increasing PRC urban household income and wealth has also played a significant role in the increase in the demand for private education in China.

In addition, Zhejiang province attaches great importance to education. The per capita annual expenditure on education in Zhejiang was among the highest in China, which was RMB1,720 and was more than twice the national average in 2017, according to the Frost & Sullivan Report. The total number of student enrollments in private high school education in Zhejiang has increased from 180,600 in 2013 to 193,500 in 2017, representing a CAGR of 1.7%. It is expected to grow at a CAGR of 5.3%, reaching 250,000 in 2022. Therefore, we anticipate the demand for private high school education in Zhejiang will likely continue to increase.

Student Enrollment Levels

Our revenue from continuing operations depends on the number of students enrolled at our schools, as we charge tuition fees and boarding fees by person. As of December 31, 2018, the total number of students enrolled at our schools was 32,068.

Our student admission levels largely depend on a number of factors, including, but not limited to, (i) our schools' reputation, which is mainly driven by the quality of education we provide; (ii) our admission quota as approved by relevant government authorities from year to year, subject to adjustment by relevant government authorities; and (iii) the capacity for student enrollment at each of our schools. We believe the educational philosophies of our schools, our well-developed curriculums and, in the case of Changzheng College, its high initial graduate employment rate, and in the case of Jingyi Secondary School, its high acceptance rate into the bachelor's degree programs in the universities in the PRC during the Track Record Period, help us attract students who seek high-quality private education as a pathway to satisfactory employment or higher education, as the case may be. Moreover, the quality of our teachers is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of our schools. Accordingly, we apply stringent teacher selection criteria and maintain training programs for our newly hired and experienced teachers, as well as regular and on-going teacher evaluation processes to assess and improve their performance.

Tuition Fees and Boarding Fees

Our results of continuing operations are also affected by the level of tuition fees and boarding fees we are able to charge. We usually require students to pay tuition fees and boarding fees at the beginning of each new school year (and in the case of Jingyi Secondary School, at the beginning of each school semester). The tuition fees we charge are typically based on the demand for our educational programs, the cost of our operations, the geographic markets where we operate our schools, 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. As of the Latest Practicable Date, both our Changzheng College and College of Information and Business had the discretion to adjust tuition fee rates without obtaining prior approval from the relevant government authorities. If we raise tuition fees, the new tuition rates will generally be applicable to newly admitted students, and the tuition fee rates for the existing students remain unchanged. While we successfully increased tuition fee rates at our schools during the Track Record Period, there is no guarantee we will be able to continue to raise tuition fee rates in the future. See “Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fees” in this prospectus. For those students who withdraw from our schools, we also have refund policies in place. See “Business — Our Schools” in this prospectus.

For the 2018/2019 school year, we charged tuition fees ranging (i) between RMB12,000 and RMB14,800 per student per school year at Changzheng College; (ii) between RMB15,600 and RMB16,200 per student per school year for students in the normal program, between RMB30,200 and RMB33,600 per student per school year for students in the training program, and RMB20,000 to RMB22,000 per student per school year for students in the Rong Tong program at Jingyi Secondary School; and (iii) between RMB12,900 and RMB15,000 for the bachelor’s degree program, between RMB9,500 and RMB10,000 for the junior college program and between RMB12,900 and RMB15,000 for the undergraduate-oriented junior college program at College of Information and Business. According to Frost & Sullivan, tuition fee rates at our schools are generally higher than those charged by public formal higher education schools in the same geographic markets. However, we believe our tuition fee rates are comparable to those charged by some of our competitors in the private formal higher education and private high school education industries having similar scale and offering similar programs. Historically, we have kept our tuition fee rates at levels we believe are competitive as compared to our competitors in order to attract more students and increase our student enrollment and market share.

During the Track Record Period, Changzheng College raised its tuition fee rate from a range of RMB10,000 to RMB12,800 per student per school year for the 2015/2016 school year to a range of RMB12,000 to RMB14,800 per student per school year for the 2016/2017 school year.

In addition, Jingyi Secondary School raised its tuition fee rates for two of its three programs in the following manner: (i) for the normal program, we raised tuition fee rates from a range of RMB8,300 to RMB8,900 per student per school year for the 2015/2016 school year to a range of RMB8,700 to RMB10,500 per student per school year for the 2016/2017 school year. The tuition fee rate for the normal program was between RMB9,600 and RMB9,800 per student per school year for the 2017/2018 school year, which was increased to a range of RMB15,600 to RMB16,200 per student per school year for the 2018/2019 school year, (ii) for the training program, we raised tuition fee rates from a range of RMB9,900 to RMB10,900 per student per school year for the 2015/2016 school year to a range of RMB12,100 to RMB14,100 per student per school year for the 2016/2017 school year. We further increased the tuition fee rates for the training program to a range of RMB15,200 to RMB21,400 per student per school year for the 2017/2018 school year. The tuition fee rates were RMB30,200 to RMB33,600 per student per school year for the 2018/2019 school year; and (iii) for the Rong Tong program, we set tuition fee rates from RMB21,400 per student per school year for the 2017/2018 school year to a range of RMB20,000 to RMB22,000 per student per school year for the 2018/2019 school year. With respect to College of Information and Business, for the 2017/2018 school year, we raised tuition fee rates by RMB1,500 or RMB2,000 per student per school year for approximately 25% of the majors offered by the junior college program at College of Information and Business, and by RMB900 or RMB1,900 per student per school year for most of the majors offered by the bachelor's degree program and the undergraduate-oriented junior college program at College of Information and Business. We may continue to increase tuition fee rates that we believe are commensurate with the increasing demand for the education programs we provide and our rising school operating costs.

Ability to Control Cost of Sales and Expenses

Our profitability also depends, in part, on our ability to control our cost of sales and expenses. For the years ended December 31, 2016, 2017 and 2018, our cost of sales represented approximately 40.5%, 40.5% and 46.4% of our total revenue, respectively. Our cost of sales primarily consists of salaries and benefits for our school personnel, depreciation and amortization expenses, utilities, maintenance costs, office expenses, supplies costs, student activities costs, training expenses, travel expenses, and other costs. Our school personnel salaries and benefits constitute approximately 31.4%, 29.8% and 26.3% of our total revenue from continuing operations for the years ended December 31, 2016, 2017 and 2018, respectively.

Our operating expenses primarily consist of administrative expenses and selling and distribution expenses. For the years ended December 31, 2016, 2017 and 2018, the total amount of administrative expenses and selling and distribution expenses as a percentage of our total revenue was approximately 10.2%, 9.9% and 15.1%, respectively. While our operating expenses remained relatively stable during most of the Track Record Period, we cannot guarantee they will not increase in the future as we expand our business operations and become a public company.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgments and estimates, and other significant accounting policies, judgments and estimates we applied in preparing our financial information, see the Accountants' Report of our Group in Appendix IA to this prospectus.

Changes in Accounting Policies

We have adopted IFRS 9, "Financial Instruments," for the years ended December 31, 2016, 2017 and 2018, which became effective on January 1, 2018. Certain unlisted equity investments accounted as available for sale at cost under IAS 39 are presented with fair value changes in profit or loss upon the adoption of IFRS 9. The application of IFRS 9 has not significantly affected the financial position and performance of our Group upon its adoption. See note 2.2 of the Accountants' Report of our Group included in Appendix IA and note 2.1 of the Accountants' Report of College of Information and Business included in Appendix IB to this prospectus for details.

We have adopted IFRS 15, "Revenue from contracts with customers," for the years ended December 31, 2016, 2017 and 2018, which became effective on January 1, 2018. The adoption of IFRS 15 had no material impact on our historical financial position and performance during the Track Record Period. See note 2.2 of the Accountants' Report of our Group included in Appendix IA and note 2.1 of the Accountants' Report of College of Information and Business included in Appendix IB to this prospectus for details.

Revenue Recognition

Revenue from contracts with customers is recognized by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at the transaction price, being the amount of consideration which we expects to be entitled to in exchange for transferring the promised goods or services to the customer, net of taxes. The transaction price is allocated to each performance obligation on the basis of the estimated cost plus margin of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognized when the performance obligation is satisfied, which may be at a point in time or over time. We recognize revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year (and in the case of Jingyi Secondary School, tuition and boarding fees are paid by students prior to the beginning of each school semester), and are initially recorded as contract liability. The portion of tuition and boarding payments received from students but not earned is recorded as contract liability and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year. The academic year is generally from September to August of the following year for Changzheng College and from August to July of the following year for Jingyi Secondary School. We recognize tuition fees proportionately each month over the nine-month period for Changzheng College and 10-month period for Jingyi Secondary School and boarding fees proportionately each month over the period of a nine months for Changzheng College and 10 months for Jingyi Secondary School.

Tuition fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognized proportionately over the Track Record Period of the applicable program.

Rental income is recognized on a time proportion basis over the lease terms.

Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Our investments in joint ventures are stated in the consolidated statements of financial position at our share of net assets under the equity method of accounting, less any impairment losses.

Our share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statements of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the joint venture, we recognize our share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between our Group and its joint ventures are eliminated to the extent of our investments in the joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of our investments in joint ventures.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment that have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.90%
Leasehold improvements	4.75%
Electronic equipment	11.88%
Motor vehicles	19.00%
Furniture, fixture and others	9.50%

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Income Tax

Income tax comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of December 31, 2016, 2017 and 2018 in the countries where our Group operates and generates taxable income. Deferred tax is provided, using the liability method, on all temporary differences as of December 31, 2016 and 2017, and 2018 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Current and Deferred Tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether our Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes our Group to change its judgment regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period when such determination is made. Further details of current and deferred tax are set out in note 10 and note 25 to the historical financial information in the Accountants' Report of our Group in Appendix IA to this prospectus.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Structured Contracts

The PRC Operating Schools are engaged in the provision of education services, which falls in the scope of Foreign Investment Catalog and foreign investors are restricted to invest in such business. As disclosed in note 2.1 to the Accountants' Report included in Appendix IA to this prospectus, we exercise control over the PRC Operating Schools and enjoy substantially all economic benefits of the PRC Operating Schools through the Structured Contracts.

We do not have any equity interest in the PRC Operating Schools. However, as a result of the Structured Contracts, we have power over the PRC Operating Schools and have the ability to affect those returns through its power over the PRC Operating Schools and are therefore considered to have control over the PRC Operating Schools. Consequently, we regard the PRC Operating Schools as indirect subsidiaries. We have consolidated the financial position and results of the PRC Operating Schools in the historical financial information of our Group during the Track Record Period.

RESULTS OF OPERATIONS

The following table presents our selected consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2016, 2017 and 2018:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS			
Revenue	162,481	171,993	301,818
Cost of sales	(65,870)	(69,677)	(140,069)
Gross profit	96,611	102,316	161,749
Other income and gains	7,374	9,486	15,437
Selling and distribution expenses	(1,479)	(1,974)	(3,883)
Administrative expenses	(15,068)	(15,126)	(41,608)
Other expenses	(682)	(4,359)	(5,970)
Finance costs	(1)	(3)	(2,140)
Remeasurement gain of previously held equity interests in an acquiree	—	—	90,295
Share of profits of joint ventures	84,470	101,255	74,284
Share of profits of an associate	1	2	2
Profit before tax	171,226	191,597	288,166
Income tax expense	(33,821)	(986)	(1,310)
Profit for the year	137,405	190,611	286,856
Exchange differences on translation of foreign operations	—	(3)	3
Total comprehensive income for the year	137,405	190,608	286,859
Profit and total comprehensive income attributable to:			
Owners of our Company	96,532	122,002	156,049
Non-controlling interests	40,873	68,606	130,810
Total comprehensive income for the year	137,405	190,608	286,859

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Continuing Operations

Revenue

Revenue represents the value of services rendered, after deducting scholarships and refunds during the Track Record Period. We derive revenue primarily from the tuition fees and boarding fees our schools collect from students. For the years ended December 31, 2016, 2017 and 2018, we generated total revenue of RMB162.5 million, RMB172.0 million and RMB301.8 million, respectively.

The table below summarizes the amount of revenue we generated from tuition fees and boarding fees for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Tuition fees			
Changzheng College	134,776	141,845	146,274
Jingyi Secondary School	5,208	5,744	6,012
College of Information and Business			113,486
Total tuition fees	139,984	147,589	265,772
Boarding fees			
Changzheng College	14,953	15,412	16,550
Jingyi Secondary School	582	523	453
College of Information and Business			9,586
Total boarding fees	15,535	15,935	26,589
Other education service income(1)			
Changzheng College	1,098	1,561	1,667
Jingyi Secondary School	5,864	6,908	7,790
College of Information and Business			—
Total other education service income	6,962	8,469	9,457
Total	162,481	171,993	301,818

Note:

(1) Other education service income mainly represents the fees received from the provision of other education services, including adult education services and training services provided by Changzheng College to certain students and the fees received from the students enrolled in the training program and the Rong Tong program at Jingyi Secondary School, which were amortized over the training periods of the particular services rendered.

Tuition Fees and Boarding Fees

For the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, tuition fees consisted of the tuition fees from the Changzheng College and the Jingyi Secondary School. Subsequent to July 5, 2018, tuition fees consisted of those from all of our schools, including those from College of Information and Business. For the 2016/2017 school year, we increased tuition fee rates at Changzheng College by an average of RMB2,000 per student per school year for all major offerings at the school. For the 2018/2019 school year, we increased tuition fees for certain number of newly admitted students at our Jingyi Secondary School in various amounts based on a number of factors, including their Zhongkao grades. In addition, for the 2017/2018 school year, we increased tuition fee rates by RMB1,500 or RMB2,000 per student per school year for approximately 25% of the majors offered by the junior college program at College of Information and Business, and by RMB900 or RMB1,900 per student per school year for most of the majors offered by the bachelor's degrees program and the undergraduate-oriented junior college program. However, these tuition fee increases generally applied to the students that were admitted after the increase took effect, while other students were not affected by the fee increases and continued to pay the tuition fees at pre-existing levels.

For the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, our boarding fees consisted of boarding fees from Changzheng College and Jingyi

Secondary School. Subsequent to July 5, 2018, boarding fees consisted of those from all of our schools, including those from College of Information and Business. Boarding fees are charged separately from tuition fees. For the 2017/2018 school year, we also increased boarding fees at Changzheng College from a range of RMB1,200 to RMB1,500 per student per school year for the six-person dormitory and four-person dormitory, respectively, to a range of RMB1,500 to RMB2,000 per student per school year for the six-person dormitory and four-person dormitory, respectively.

We typically charge our students fees comprising tuition fees and boarding fees. For our Changzheng College, tuition is paid in advance prior to the start of each school year and we recognize revenue proportionately over the relevant period of the school program (typically nine months for the school year). With respect to boarding fees, we also require our students to pay in advance before the beginning of each school year and recognize revenue proportionately for nine months. With respect to our Jingyi Secondary School, we require our students to pay tuition fees and boarding fees in advance at the beginning of each new semester in February and August, and recognize revenue proportionately over the relevant period of the school program (typically six months for the first semester and four months for the second semester). Accordingly, no revenue will be recognized during summer and winter holidays of a school year for our Changzheng College and Jingyi Secondary School. In the event a student leaves his/her school during the school year, we have refund policies in place for our schools. With respect to College of Information and Business, whose financial results we consolidated into our Group since July 6, 2018, tuition fees and boarding fees are typically paid by the students in advance prior to the beginning of each school year (usually from September of the current year to August of the following year). Tuition fees are recognized proportionately each month over a nine-month period of the school year whereas boarding fees are recognized proportionately each month over a 12-month period of non-graduating students and over a 10-month period for graduating students.

Other Education Service Income

For the years ended December 31, 2016, 2017 and 2018, other education service income mainly represented income received from the provision of other education services, including adult education services and training services provided by Changzheng College to certain students, and fees received from students enrolled in the training program and the Rong Tong program at Jingyi Secondary School, which were amortized within the training periods of the particular services rendered.

The following table sets forth a breakdown of our revenue by the type of services for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Changzheng College			
Tuition fees	134,776	141,845	146,274
Boarding fees	14,953	15,412	16,550
Other education service income[1]	1,098	1,561	1,667
Subtotal	150,827	158,818	164,491
Jingyi Secondary School			
Tuition fees	5,208	5,744	6,012
Boarding fees	582	523	453
Other education service income[2]	5,864	6,908	7,790
Subtotal	11,654	13,175	14,255
College of Information and Business			
Tuition fees	—	—	113,486
Boarding fees	—	—	9,586
Subtotal	—	—	123,072
Total	162,481	171,993	301,818

Notes:

(1) Mainly includes fees received from the provision of adult education services and training services to certain students in Changzheng College.

(2) Mainly includes fees received from the students enrolled in the training program and the Rong Tong program at Jingyi Secondary School.

Cost of Sales

Our cost of sales primarily consists of (i) salaries and benefits; (ii) depreciation and amortization; (iii) utilities expenses; (iv) maintenance costs; (v) office allowance; (vi) student activity costs; (vii) training expenses; (viii) co-operation costs, which were the school operating profit of the North Campus of College of Information and Business contributed to Zhongyuan University of Technology; (ix) travel expenses; and (x) other expenses. The cost of sales of our Group for the years ended December 31, 2016 and 2017 and the period up to July 5, 2018 did not include the cost of sales of College of Information and Business. The cost of sales of College of Information and Business was consolidated into the cost of sales of our Group on July 6, 2018 in connection with the ongoing transformation from an independent college to a wholly privately-owned undergraduate college that will be subject to the final approval from the MOE.

For the years ended December 31, 2016, 2017 and 2018, salaries and benefits paid to our school personnel were RMB42.3 million, RMB43.0 million, and RMB69.4 million, respectively, representing 64.2%, 61.8% and 49.5% of our total cost of sales, respectively. Depreciation and amortization expenses relate to the depreciation and amortization of property, plant and equipment and other intangible assets, which are used for providing educational services. Maintenance costs primarily consist of maintenance and repair costs for school buildings and student dormitories. Student activity costs represent costs incurred for students to participate in various contests. Training expenses primarily consist of the costs relating to teacher training programs.

Travel expenses primarily consist of the expenses incurred by school personnel to attend meetings at our headquarters and external conferences and seminars. Other expenses primarily consist of supplementary taxes, campus security fees and costs associated with party-building activities.

The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and benefits	42,300	43,031	69,365
Depreciation and amortization	13,906	13,656	32,765
Utilities expenses	3,113	3,529	6,403
Maintenance costs	2,050	4,319	5,274
Office allowance	201	197	827
Educational supplies	709	639	1,423
Student activity costs	1,570	2,263	2,951
Training expenses	683	829	3,029
Co-operation costs	—	—	15,526
Travel expenses	385	234	389
Student allowances	71	264	1,038
Other expenses	882	716	1,079
Total	65,870	69,677	140,069

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 salaries and benefits paid to our school personnel during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and salaries and benefits paid to our school personnel is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year from continuing operations with a 5% and 10% increase or decrease in tuition fees income and salaries and benefits paid to our school personnel. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and salaries and benefits paid to our school personnel, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fee income and salaries and benefits paid to our school personnel presents a meaningful analysis of the potential impact of changes in the tuition fees and salaries and benefits paid to our school personnel on our revenue and profitability.

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sensitivity analysis of tuition fees			
Tuition fee (decrease)/increase	**Impact on our profit for the year from continuing operations**		
(10%)	(13,998)	(14,759)	(26,577)
(5%)	(6,999)	(7,379)	(13,289)
5%	6,999	7,379	13,289
10%	13,998	14,759	26,577
Sensitivity analysis of salaries and benefit			
Salaries and benefit for school personnel (decrease)/increase	**Impact on our profit for the year from continuing operations**		
(10%)	4,230	4,303	6,937
(5%)	2,115	2,152	3,468
5%	(2,115)	(2,152)	(3,468)
10%	(4,230)	(4,303)	(6,937)

Other Income and Gains

Other income and gains consist primarily of (i) bank interest income; (ii) rental income; (iii) government grants; (iv) donation income; and (v) others. Bank interest income consists of interest earned on our bank deposits. Rental income primarily consists of the rent we collect for the canteens and stores on the campuses of our schools that we rent out to Independent Third Party operators. Government grants primarily consist of grants from the relevant education authorities in Zhejiang province, including discretionary subsidies to promote, among other objectives, higher education and private education. The amounts and timing of our government grants are determined solely at the discretion of the relevant government authorities, and there is no assurance that we will continue to receive these government grants in the future. We recognize government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, we recognize it as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, we recognize it as income in equal amounts over the expected useful life of the related asset. Donation income primarily consists of donations to the library of Changzheng College. Others mainly include income from (i) medical services provided by the clinics on school campuses; and (ii) selling barreled water to students.

The table below summarizes the amount of other income and gains for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Bank interest income	1,728	2,882	4,840
Rental income	1,979	1,700	4,159
Government grants			
– Related to expense	2,547	3,278	4,516
– Related to assets	864	949	1,339
Donation income	—	374	59
Others	256	303	524
Total	7,374	9,486	15,437

Selling and Distribution Expenses

Selling and distribution expenses relate to the costs of promotion of student recruitment, including travel expenses for our recruitment staff and promotional and advertising expenses. The following table sets forth the components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Selling expenses	1,479	1,974	3,883
Total	1,479	1,974	3,883

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and benefits of administrative staff; (ii) depreciation and amortization; (iii) transportation costs; (iv) entertainment costs; (v) maintenance costs; (vi) office allowance; (vii) tax expenses; (viii) utilities expenses; and (ix) other expenses.

For the years ended December 31, 2016, 2017 and 2018, salaries and benefits paid to our administrative staff were RMB8.7 million, RMB8.2 million and RMB10.2 million, respectively, representing 58.1%, 54.4% and 24.4% of our total administrative expenses, respectively. Depreciation and amortization expenses relate to the depreciation and amortization of property, plant and equipment and other intangible assets, which are used for providing administrative services. Maintenance costs primarily consist of maintenance and repair costs for office equipment. Tax expenses primarily consist of education surcharge, local education surcharge and urban construction fees. Other expenses primarily consist of consultation fees we paid to Independent Third Parties for Listing, meeting fees and recruitment fees.

The following table sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries and benefits	8,748	8,236	10,164
Depreciation and amortization	3,704	3,601	3,927
Listing expenses	—	—	21,133
Transportation costs	1,058	872	1,860
Entertainment costs	571	520	931
Maintenance costs	67	253	157
Office allowance	244	222	915
Tax expenses	255	217	283
Utilities expenses	107	130	158
Others	314	1,075	2,080
Total	15,068	15,126	41,608

Other Expenses

Other expenses consist primarily of (i) surcharge for overdue tax payment; (ii) loss of disposal of joint venture; (iii) cost of dining halls; (iv) disposal of fixed assets; (v) asset impairment loss; (vi) donation; and (vii) others. Surcharge for overdue tax payment relates to additional fees due to overdue payments of relevant taxes and fees. Loss from disposal of joint venture represents the loss from the transfers of 51% and 20% equity interests in Wenzhou Zhengda Rectifier Co., Ltd. (溫州正大整流器有限公司) and Wenzhou Dexin Electric Limited (溫州德信電器有限公司), respectively, to Independent Third Parties. Cost of dining halls represents the expenses relating to canteen operation net of income from the sales of meals. Others primarily consist of tax expenses, one-time condolence fees we paid for two incidents involving student deaths off-campus in Chengzheng College in 2015 and in Jingyi Secondary School in 2017, for which our Directors confirm no lawsuits were filed against Chengzheng College or Jingyi Secondary School, as the case may be, and none of these schools had been held responsible for such incidents, and other miscellaneous fees.

The following table sets forth the components of our other expenses for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Surcharge for overdue tax payment	—	3,404	4,232
Loss of disposal of joint venture	—	—	390
Cost of dining halls	601	139	441
Disposal of fixed assets	2	11	14
Asset impairment loss	49	18	839
Donation	—	—	—
Others	30	787	54
Total	682	4,359	5,970

Finance Costs

Finance costs consist primarily of the interest expenses for our bank loans. The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Interests on bank loans	1	3	2,140

Remeasurement Gain of Previously Held Equity Interests in an Acquiree

Remeasurement gain of previously held equity interests in an acquiree represents the gains generated from the acquisition of College of Information and Business by our Group on July 5, 2018. As of July 5, 2018, JH Holdings Group had a book value of RMB733.7 million in its long-term equity investment in College of Business and Information. On July 5, 2018, the fair value of the 65% school capital contributor's interest in College of Information and Business held by JH Holdings Group was RMB824.0 million, according to an assessment by an independent valuer. The one-time fair value gain of RMB90.3 million was recorded as gain on remeasurement of previously held investment in the joint venture in our consolidated financial statements.

Share of Profits of Joint Ventures

Based on the cooperation arrangement we had with Zhongyuan University of Technology from October 2006 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation of the Main Campus and all of the income of the North Campus, and we were entitled to the remainder of the income and loss relating to the operation in the Main Campus. From the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was recorded in our consolidated financial statements as share of profits of joint ventures. Beginning on July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group.

During the Track Record Period, we also held joint venture interest in Wenzhou Zhengda Rectifier Co., Ltd., in which we used to hold 51% of equity interest. Particulars of our Group's significant joint venture during the Track Record Period are as follows:

Name	Particulars of Issued Shares Held	Place of Registration and Business	Percentage of Ownership Interest	Percentage of Voting Power	Percentage of Profit Sharing	Principal Activities
College of Information and Business	Ordinary shares	P.R.C./ Mainland China	65%	56%	65%[(1)]	Higher education service

Note:

(1) We were entitled to all of the income from the Main Campus beginning in the 2017/2018 school year. Starting on July 5, 2018, we are able to consolidate the results of operations of College of Information and Business to the operating results of our Group after the articles of association of College of Information and Business was amended in connection with the transformation. For further details, please see "Business – Our Schools."

For the years ended December 31, 2016, 2017 and 2018, we recorded a share of profits of joint ventures of approximately RMB84.5 million, RMB101.3 million and RMB74.3 million, respectively, which was primarily attributable to the cooperation arrangement we had with Zhongyuan University of Technology, an Independent Third Party, with respect to the establishment and operation of College of Information and Business. See the sections headed "History and Development — Our PRC Consolidated Affiliated Entities — 3. College of Information and Business" and "— Financial Information of the College of Information and Business" in this prospectus. The following table sets forth the breakdown of our share of profits of joint ventures for the period indicated.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
College of Information and Business	84,429	101,241	74,311
Wenzhou Zhengda Rectifier Co., Ltd	41	14	(27)
Total	84,470	101,255	74,284

Income Tax Expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands. No provision for Hong Kong profits tax has been made as our Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

According to the Implementation Rules for the Law for Promoting Private Education of the PRC, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Track Record Period and up to the

Latest Practicable Date, no regulations have been promulgated by such authorities in this regard. In accordance with the tax filings retrieved from Xihu District Tax Bureau of Hangzhou and the tax compliance confirmation obtained therefrom, our Changzheng College did not pay corporate income tax for the income from the provision of formal educational services and has not been found to be involved in any tax evasions, surcharge for overdue tax payment and other tax-non-compliance acts. As a result, no income tax expense was recognized by Changzheng College for the income from the provision of formal educational services during the Track Record Period.

In accordance with the tax filings retrieved from the Tax Bureau of Yueqing City (樂清市稅務局) and the tax compliance confirmation obtained from the Tax Bureau of Yueqing City (樂清市稅務局), Jingyi Secondary School did not pay corporate income tax for the income from the provision of formal educational services and has not been involved in any tax evasions, overdue tax payment and other tax non-compliance acts.

Based on the tax compliance confirmation obtained from the local office of the State Administration of Taxation of Henan Province, there is no corporate income tax imposed on the income from the provision of formal educational services of the College of Information and Business. As a result, no income tax expense was recognized for the income from the provision of formal educational services during the Track Record Period.

The non-academic education services provided by our schools are subject to corporate income tax at a rate of 25%.

All of our Group's non-school subsidiaries established in the PRC are subject to the corporate income tax rate of 25% during the Track Record Period.

In addition, we are subject to enterprise income tax and value-added tax after the Corporate Reorganization. We entered into a series of arrangements in which our wholly-owned subsidiaries and WFOEs, Ningbo Jiaxin and Ningbo Xinyao, received all economic benefits from the operation of our PRC Operating Schools and/or our School Sponsors. See "Structured Contracts" in this prospectus for more information. Ningbo Jiaxin and Ningbo Xinyao were registered in Zhejiang province, and therefore, will be subject to enterprise income tax and value-added tax pursuant to the applicable national and local rules. After the Corporate Reorganization, our effective enterprise income tax rate initially applicable to Ningbo Jiaxin and Ningbo Xinyao is expected to be between 16% and 17% for the year ending December 31, 2019 and 2020 according to the 2017 Industry Support Policy issued by the Financial Industry Development Center of Tariff-free Zone in Meishan District in Ningbo (《寧波梅山保稅區金融產業發展中心產業扶持政策2017》), because we may receive industry support from Finance Bureau of Tariff-free zone in Meishan District in Ningbo in the amount ranging from 32% to 36% of our income tax paid for the year. Ningbo Jiaxin and Ningbo Xinyao will also be subject to value-added tax and the effective value-added tax rate is expected to be between 3.30% and 3.84% because we may receive industry support from relevant government authorities in the amount ranging from 36% to 45% of our value-added tax for the year. See "Risk Factors — Risks Relating to Our Business and Our Industry — The discontinuation of any preferential tax treatments currently available to us, particularly the tax exempt status of our PRC Operating Schools, could materially and adversely affect our results of operations" in this prospectus.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in mainland China to the tax expense at the effective tax rate is as follows.

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	171,226	191,597	288,166
Tax at the statutory tax rate of 25%	42,807	47,899	72,042
Profits attributable to joint ventures and an associate	(21,118)	(25,314)	(18,572)
Income not subject to tax	(22,032)	(23,449)	(59,370)
Expenses not deductible for tax	369	1,173	1,155
Income tax of JH Holdings Group for profit distribution from Changzheng College(1)	33,795	675	6,025
Tax losses and deductible temporary differences not recognized	—	2	30
Tax charge/(credit) at our Group's effective rate	33,821	986	1,310

Note:

(1) JH Holdings Group is subject to income tax at the rate of 25%. Income tax of JH Holdings Group for profit distribution from Changzheng College represents the income tax JH Holdings Group paid for the dividends it received from Changzheng College during the Track Record Period. For the year ended December 31, 2016, Changzheng College declared cumulative dividends to JH Holdings Group for several previous years at one time, as a result of which income tax of JH Holdings Group for profit distribution from Changzheng College increased significantly for the year ended December 31, 2016.

The share of tax attributable to joint ventures amounted to RMB10,481, RMB5,957 and RMB183 for the years ended December 31, 2016, 2017 and 2018, respectively, which was included in "Share of profits of joint ventures" in the consolidated statement of profit or loss of our Group.

Profit for the Year

For the years ended December 31, 2016, 2017 and 2018, our profit for the year was RMB137.4 million, RMB190.6 million and RMB286.9 million, respectively.

Profit for the Year Attributable to Owners of Our Company and Non-controlling Interests

During the Track Record Period, our profit for the year was attributable to both owners of our Company and non-controlling interests. Non-controlling interests was attributable to (i) Hangzhou Changzheng Vocational School, due to its 46.38% capital contributor's interest in Changzheng College; and (ii) Mr. Chen Lingfeng, Mr. Chen Shu and Mr. Chen Nansun, due to the fact that the equity interests in the Company held by them were deemed to be recognized as non-controlling interests until the Corporate Reorganization when the equity interests held by them were deemed to be acquired by the Company under the principles of merger accounting, when the contractual arrangements were entered into. Therefore, upon the completion of the Corporate Reorganization on November 7, 2018 and going forward, profit for the year attributable to non-controlling interests held by Mr. Chen Lingfeng, Mr. Chen Shu and Mr. Chen Nansun is directly attributable to the owners of our Company.

The following table sets forth a breakdown of profit for the year and profit for the year attributable to the owners of our Company and non-controlling interests:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to:			
Owners of our Company	96,532	122,005	156,046
Non-controlling interests	40,873	68,606	130,810
– Hangzhou Changzheng Vocational School	40,873	43,502	48,433
– Chen Lingfeng, Chen Shu and Chen Nansun	—	25,104	82,377
Profit for the year	**137,405**	**190,611**	**286,856**

FINANCIAL IMPACT OF THE ACQUISITION DURING THE TRACK RECORD PERIOD

The consolidation of the financial results of College of Information and Business into the financial results of our Group on July 6, 2018 has been an important driver of the growth of our revenue and profits for the year ended December 31, 2018. The table below sets forth the information concerning the financial impact of the consolidation of College of Information and Business into our Group:

Impact on Our Financial Performance and Position

Consideration and Payment Method	Cash of RMB240.0 million and fair value of previously held equity interests upon the acquisition of RMB824.0 million
Total Identifiable Net Assets at Fair Value on the Acquisition Date (July 5, 2018)	RMB953.0 million
Goodwill on Acquisition	RMB111.0 million
Remeasurement Gain of Previously Held Equity Interests in College of Information and Business	RMB90.3 million
Deduction to Investment in Joint Venture on the Acquisition Date (July 5, 2018)	RMB733.7 million
Period Covered	From July 6, 2018 to December 31, 2018
Contribution to Revenue	RMB123.1 million
Contribution to Cost of Sales	RMB66.0 million
Contribution to Administrative Expenses	RMB6.7 million
Contribution to the Salaries and Benefits in Cost of Sales and Administrative Expenses as a whole	RMB29.8 million
Contribution to Gross Profit	RMB57.0 million
Gross Profit Margin	46.3%

NON-IFRS MEASURES

In order to supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of certain items that we do not consider to be indicative of the performance of our schools during the Track Record Period. We also believe that this non-IFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies. However, this non-IFRS measure does not have a standardized meaning prescribed by IFRS and therefore, it may not be comparable to similar measures presented by other companies listed on the Stock Exchange.

Adjusted Net Profit

The adjusted net profit, which is unaudited in nature, represents profit for the year excluding the effects of the remeasurement gain of previously held equity interest in College of Information and Business, and adding back the listing expenses (the "Adjusted Net Profit"). The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of the remeasurement gain of previously held equity interest in an acquiree in connection with the acquisition of College of Information and Business and the listing expenses. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year. The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year.

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	162,481	171,993	301,818
Profit before tax	171,226	191,597	288,166
Less: Income tax expense	33,821	986	1,310
Profit for the year	137,405	190,611	286,856
Less:			
Remeasurement gain of previously held equity interests in an acquiree	–	–	90,295
Add:			
Listing expenses	–	–	21,133
Adjusted net profit	137,405	190,611	217,694
Adjusted net profit attributable to:			
Owners of our Company	96,532	122,005	123,905
Non-controlling interests	40,873	68,606	93,789
— Hangzhou Changzheng Vocational School	40,873	43,502	48,433
— Chen Jingfeng, Chen Shu and Chen Nansun	–	25,104	45,356

For the years ended December 31, 2016, 2017 and 2018, our Adjusted Net Profit for the year was RMB137.4 million, RMB190.6 million and RMB217.7 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 75.5% from RMB172.0 million for the year ended December 31, 2017 to RMB301.8 million for the year ended December 31, 2018. The increase was primarily due to (i) an increase of RMB123.1 million in revenue of College of Information and Business mainly due to: (1) the consolidation of the financial results of College of Information and Business into the financial results of our Group since July 6, 2018, which included the tuition fee revenue of RMB113.5 million and boarding fee revenue of RMB9.6 million from College of Information and Business for the period from such date to December 31, 2018; (2) an increase in the tuition fee rates of College of Information and Business in the 2017/2018 school year that continued to apply to newly admitted students in the 2018/2019 school year; (ii) an increase in tuition fee revenue of Changzheng College in 2016, as we increased tuition fee rates at Changzheng College by an average of RMB2,000 per student per school year for all major offerings at the school for the 2016/2017 school year, and applied such new tuition fee rates to newly admitted students beginning in the 2016/2017 school year; (iii) an increase of RMB1.1 million in boarding fees of our initially-controlled schools as we increased boarding fee rates at Changzheng College from a range of RMB1,200 to RMB1,500 per student per school year to a range of RMB1,500 to RMB2,000 per student per school year beginning in the 2017/2018 school year, and applied such new boarding fee rates to newly admitted students beginning in the 2017/2018 school year; and (iv) an increase of RMB1.0 million in other education services income as a result of an increase in the tuition fee rates in Jingyi Secondary School for the training program in the 2017/2018 school year, and the initiation of the Rong Tong program in the same school year. We also increased tuition fee for newly admitted students in Jingyi Secondary School in the 2018/2019. Please refer to “Business — Our Schools — Tuition Fees and Boarding Fees” for further details.

Cost of Sales

Cost of sales increased by 101.0% from RMB69.7 million for the year ended December 31, 2017 to RMB140.1 million for the year ended December 31, 2018. This increase was primarily due to our consolidation of the financial results of College of Information and Business since July 6, 2018, which included cost of sales of RMB66.0 million from College of Information and Business for the period from such date to December 31, 2018, including RMB15.5 million of the school operation profit of the North Campus that were contributed to Zhongyuan University of Technology and were recognized as co-operation costs in the cost of sales of our Group. Excluding the effects of the acquisition of College of Information and Business, (i) depreciation and amortization costs for the year ended December 31, 2018 of our initially-controlled schools decreased by RMB0.7 million because certain teaching related equipment is approaching the end of its useful life, which led to a gradual reduction in depreciation and amortization costs; (ii) utilities expense for the year ended December 31, 2018 decreased by RMB0.2 million mainly because a pipe in Changzheng College burst in 2017 which resulted in an increase in the costs of water during that year; and (iii) maintenance costs for the year ended December 31, 2018 decreased by RMB1.3

million as we conducted maintenance for the gymnasium in Changzheng College, which was completed in 2017.

Gross Profit

Gross profit increased by 58.1% from RMB102.3 million for the year ended December 31, 2017 to RMB161.7 million for the year ended December 31, 2018, which was in line with the growth of the business of our initially-controlled schools and as a result of the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018, which included RMB57.0 million of gross profit for the period from such date to December 31, 2018. Our gross profit margin decreased from 59.5% for the year ended December 31, 2017 to 53.6% for the year ended December 31, 2018 mainly because we consolidated the financial results of College of Information and Business into our Group since July 6, 2018, which had a lower gross profit margin compared to the gross profit margin of our initially-controlled schools as the amounts of salary and benefits as well as depreciation and amortization of College of Information and Business largely offset the growth in its revenue for the period from July 6, 2018 to December 31, 2018.

Other Income and Gains

Other income and gains increased by 62.7% from RMB9.5 million for the year ended December 31, 2017 to RMB15.4 million for the year ended December 31, 2018. The increase was primarily due to (i) the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018, which included RMB3.2 million of other income and gains for the period from such date to December 31, 2018, primarily consisting of RMB1.8 million of rental income and RMB0.9 million in government grants received; and (ii) an increase of RMB1.6 million in bank interest income we received as a result of an increase in the amount of our bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased by 96.7% from RMB2.0 million for the year ended December 31, 2017 to RMB3.9 million for the year ended December 31, 2018 due to the consolidation of the financial results of College of Information and Business since July 6, 2018, which included RMB1.8 million of selling and distribution expenses for the period from such date to December 31, 2018. The selling and distribution expenses of our initially-controlled schools also increased in 2018, which were in line with our enhanced marketing and promotional activities in 2018.

Administrative Expenses

Our administrative expenses increased by 175.1% from RMB15.1 million for the year ended December 31, 2017 to RMB41.6 million for the year ended December 31, 2018, primarily due to (i) the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018, which included RMB6.7 million of administrative expenses for the period from such date to December 31, 2018; and (ii) an increase of RMB21.1 million in Listing expenses consisting of the fees paid to the professional parties we engaged in connection with the Listing. Such increase was partially offset by a decrease of RMB0.9 million of salaries and benefits due to a decrease in the number of administrative staff as we outsourced our property service to third parties in 2018.

Other Expenses

Other expenses increased by 37.0% from RMB4.4 million for the year ended December 31, 2017 to RMB6.0 million for the year ended December 31, 2018. The increase was primarily as a result of (i) the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018, which included RMB1.0 million of other expenses for the period from such date to December 31, 2018 mainly consisting of surcharge for overdue tax payment as a result of a delay in the payment of income tax expenses for the school and asset impairment loss due to increase in bad debt provision; (ii) an increase of RMB0.6 million in surcharge for overdue tax payment as a result of a delay in the payment of income tax expenses for JH Holdings Group and Jingyi Secondary School from 2017 to 2018; and (iii) RMB0.4 million of loss of disposal of joint ventures in 2018.

Remeasurement Gain of Previously Held Equity Interests in An Acquiree

Remeasurement gain of previously held equity interests in an acquiree increased from nil for the year ended December 31, 2017 to RMB90.3 million for the year ended December 31, 2018 as a result of the acquisition of College of Information and Business by our Group on July 5, 2018.

Share of Profits of Joint Ventures

Our share of profits of joint ventures decreased by 26.6% from RMB101.3 million for the year ended December 31, 2017 to RMB74.3 million for the year ended December 31, 2018, primarily because we consolidated financial results of College of Information and Business into our Group since July 6, 2018 and did not have such share of profits of joint ventures subsequent to July 5, 2018.

Finance Costs

Finance costs increased from RMB3,000 for the year ended December 31, 2017 to RMB2.1 million for the year ended December 31, 2018, primarily because (i) the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018 which included RMB1.8 million of finance costs for the period from July 6, 2018 to December 31, 2018 as a result of the bank loans it borrowed; and (ii) we, as borrower, entered into a loan agreement with Hangzhou United Rural Commercial Bank Co., Ltd., Liuxia Branch, as lender, pursuant to which we obtained a loan in the aggregate principal amount of RMB50.0 million in October 2018.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB288.2 million before income for the year ended December 31, 2018, compared to a profit of RMB191.6 million before income tax for the year ended December 31, 2017. Our profit before tax as a percentage of revenue was 95.5% for the year ended December 31, 2018, while our profit before tax as a percentage of revenue was 111.4% for the year ended December 31, 2017. Our profit before tax as a percentage of revenue was above 100.0% for the year ended December 31, 2017 mainly due to a full year of share of profits of College of Information and Business during such year, as compared to 2018 which had a partial year of share of profits of College of Information and Business due to the consolidation of its financial results into our Group since July 6, 2018.

Income Tax Expense

Our income tax expense increased from RMB1.0 million for the year ended December 31, 2017 to RMB1.3 million for the year ended December 31, 2018, mainly due to the distribution of dividends from Changzheng College to JH Holdings Group, which was made in April 2018.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB286.9 million for the year ended December 31, 2018, as compared to a profit of RMB190.6 million for the year ended December 31, 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 5.9% from RMB162.5 million for the year ended December 31, 2016 to RMB172.0 million for the year ended December 31, 2017. The increase was primarily due to (i) an increase in tuition fees from RMB140.0 million for the year ended December 31, 2016 to RMB147.6 million for the year ended December 31, 2017, which was mainly due to Changzheng College raising the tuition fee rates by RMB2,000 per student per school year for all major offerings in the 2016/2017 school year and Jingyi Secondary School raising the tuition fee rates for students for the 2017/2018 school year; (ii) an increase in boarding fees from RMB15.5 million for the year ended December 31, 2016 to RMB15.9 million for the year ended December 31, 2017, which was primarily because Changzheng College raised its boarding fee rates for the 2017/2018 school year; and (iii) an increase of RMB1.5 million in other education service income as a result of an increase in the tuition fee rates in the 2016/2017 school year from the provision of education service to students who enrolled in the training program and the Rong Tong program at Jingyi Secondary School.

Cost of sales

Cost of sales increased by 5.8% from RMB65.9 million for the year ended December 31, 2016 to RMB69.7 million for the year ended December 31, 2017. The increase was primarily due to (i) an increase of RMB2.3 million in maintenance costs relating to the renovation of student dormitories and outdoor sports facilities in Changzheng College; (ii) an increase of RMB0.7 million in the salaries and benefits of our school personnel due to an increase in the average salary levels and an increase in the payment standards of social insurance and housing provident contributions; and (iii) an increase of RMB0.7 million in student activities costs relating to the expenses incurred in connection with establishing and operating students' internships and practical training projects, providing students with graduation and employment guidance and setting up graduate recruitment fairs in Changzheng College.

Gross Profit

Gross profit increased by 5.9% from RMB96.6 million for the year ended December 31, 2016 to RMB102.3 million for the year ended December 31, 2017, which was in line with the growth of our business. Our gross profit margin remained relatively stable at 59.5% for the years ended December 31, 2016 and 2017.

Other Income and Gains

Other income and gains increased by 28.6% from RMB7.4 million for the year ended December 31, 2016 to RMB9.5 million for the year ended December 31, 2017. The increase was primarily due to (i) an increase of RMB1.2 million in bank interest income we received as a result of an increase in the amount of our bank deposits and short-term time deposits; and (ii) an increase of RMB0.8 million in government grants mainly attributable to expense-related government subsidies for teaching activities, which were recognized as other income directly in profit or loss when received.

Selling and Distribution Expenses

Selling and distribution expenses increased by 33.5% from RMB1.5 million for the year ended December 31, 2016 to RMB2.0 million for the year ended December 31, 2017. The increase was primarily due to an increase in our advertising expenses, which, in turn, was caused by our increased promotional activities to improve student applicants' awareness of our Changzheng College as Zhejiang province was one of the Gaokao pilot reform provinces in 2017.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB15.1 million for the year ended December 31, 2017 compared to RMB15.1 million for the year ended December 31, 2016.

Other Expenses

Other expenses increased by 539.1% from RMB0.7 million for the year ended December 31, 2016 to RMB4.4 million for the year ended December 31, 2017. The increase was primarily as a result of (i) an increase of RMB3.4 million in surcharge for overdue tax payment as a result of a delay in the payment of income tax expenses for JH Holdings Group and Jingyi Secondary school in 2017; and (ii) an increase of RMB0.8 million in other expenses, a majority of which was related to a one-time condolence payment we made in connection with an incident involving the passing of a student off-campus in 2017. The increase was partially offset by a decrease of canteen costs for the year ended December 31, 2017, mainly due to an engagement of a third-party management company to manage the operations of one of the canteens in Changzheng College, which resulted in improved cost control.

Finance Costs

Finance costs increased from RMB1,000 for the year ended December 31, 2016 to RMB3,000 for the year ended December 31, 2017.

Share of Profits of Joint Ventures

Our share of profits of joint ventures increased by 19.9% from RMB84.5 million for the year ended December 31, 2016 to RMB101.3 million for year ended December 31, 2017, mainly because we were entitled to 100.0% of the income and loss relating to the operation in the Main Campus beginning in the 2017/2018 school year in connection with the transformation of College of Information and Business.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB191.6 million before income tax for the year ended December 31, 2017, compared to a profit of RMB171.2 million before income tax for the year ended December 31, 2016. Our profit before tax as a percentage of revenue was 111.4% for the year ended December 31, 2017, while our profit before tax as a percentage of revenue was 105.4% for the year ended December 31, 2016. Our profit before tax as a percentage of revenue was above 100.0% for the years ended December 2017 and 2016 mainly due to the share of profits of College of Information and Business during such periods.

Income Tax Expense

Our income tax expense was RMB33.8 million and RMB1.0 million for the year ended December 31, 2016 and 2017, respectively. The decrease in income tax expense in 2017 was mainly due to the distribution of dividends from Changzheng College to JH Holdings Group in 2016.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB190.6 million for the year ended December 31, 2017, as compared to a profit of RMB137.4 million for the year ended December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchases of property, plant and equipment and to repay bank loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations and shareholder contributions. 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 our student enrollment or our tuition fees and boarding fees or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of December 31, 2016, 2017 and 2018, we had cash and cash equivalents of RMB185.8 million, RMB181.1 million and RMB172.9 million, respectively.

We combine the results of our PRC Operating Schools and our access to their cash balance or future earnings through our Structured Contracts with them. See "History and Corporate Structure" and "Structured Contracts" in this prospectus.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	115,640	124,337	250,499
Net cash flows used in investing activities	(16,953)	(136,786)	(207,423)
Net cash flows (used in)/from financing activities	17,660	7,733	(51,323)
Net increase/(decrease) in cash and cash equivalents	116,347	(4,716)	(8,247)
Cash and cash equivalents at beginning of year	69,488	185,835	181,116
Effect of foreign exchange rate changes, net	—	(3)	3
Cash and cash equivalents	185,835	181,116	172,872

Cash Flows from Operating Activities

Cash flows from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as share of profits of joint ventures, finance costs, depreciation of items of property, plant and equipment, recognition of prepaid land lease payments, bank interest income, government grants released and impairment of trade receivables; (ii) movements in working capital, such as increase or decrease in prepayments, deposits and other receivables, increase or decrease in other payables and accruals, and increase or decrease in deferred revenue; and (iii) other cash items consisting of income tax paid and interest received.

Our net cash from operating activities amounted to RMB250.5 million for the year ended December 31, 2018, primarily reflecting RMB153.0 million of cash from operations before working capital adjustments and positive working capital adjustments of RMB131.5 million. Our positive net working capital adjustments primarily consist of (i) an increase in contract liabilities of RMB159.3 million as we generally collect tuition fees from the students of our schools in advance at the beginning of each school year, which was in the second half of 2018; and (ii) an increase in government grants of RMB4.5 million, partially offset by (i) an increase of RMB20.5 million in prepayments, deposits and other receivables, mainly due to (1) an increase in prepaid Listing expenses and rental receivables; and (2) prepayment of co-operation costs of RMB11.6 million due to the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018; and (ii) a decrease in other payables and accruals of RMB11.3 million.

Our net cash from operating activities amounted to RMB124.3 million for the year ended December 31, 2017, primarily reflecting RMB100.6 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB20.9 million. Our positive net working capital adjustments primarily consist of (i) an increase in other payables and accruals of RMB10.7 million as a result of an increase of RMB2.8 million in miscellaneous advance receivables from the students, an increase of RMB5.3 million in other taxes payables, and an increase of RMB2.4 million in other payables; (ii) an increase in contract liabilities of RMB6.6 million as a result of increased balance in advanced tuition fees and boarding fees as we increased tuition fee rates and boarding fee rates at our schools in 2017; and (iii) an increase of RMB4.1 million in government grants as a result of increase of subsidies for major school improvements, partially offset by an increase of RMB0.4 million in prepayments, deposits and other receivables as a result of an increase in interest receivables and other receivables from operations.

Our net cash from operating activities amounted to RMB115.6 million for the year ended December 31, 2016, primarily reflecting RMB99.3 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB14.6 million. Our positive net working capital adjustments primarily consist of (i) an increase in other payables and accruals of RMB4.8 million; (ii) an increase in contract liabilities of RMB4.8 million; and (iii) increase in government grants of RMB4.9 million.

Cash Flows used in Investing Activities

Investing activities consist primarily of purchases of items of property, plant and equipment and intangible assets and payment for the deposit for investments.

Our net cash used in investing activities amounted to RMB207.4 million for the year ended December 31, 2018, primarily reflecting (i) purchases of items of property, plant and equipment of RMB27.6 million, which was mainly used for construction of the school buildings and the purchases of teaching equipment; (ii) an addition of RMB162.2 million of time deposits with original maturity of three months or more when acquired, which we purchased with the revenue from daily operations of our schools; (iii) the acquisition of College of Information and Business in July 2018 of RMB48.3 million; (iv) advances to shareholders of RMB24.3 million; and (v) advances to related parties of RMB1.5 million, partially offset by (i) a repayment of amounts due from related parties in the amount of RMB21.5 million; and (ii) a repayment of amounts due from shareholders of RMB34.1 million.

Our cash used in investing activities amounted to RMB136.8 million for the year ended December 31, 2017, primarily reflecting (i) an addition of RMB81.3 million of time deposits with original maturity of three months or more when acquired, which we purchased with the revenue from daily operation of our schools; (ii) purchases of items of property, plant and equipment of RMB6.7 million, which was mainly used for construction of school buildings and purchase of teaching equipment; (iii) advances to related parties amounted to RMB25.0 million primarily for supporting their daily operations; and (iv) advances to shareholders amounted to RMB55.4 million, partially offset by (i) a repayment of amounts due from related parties of RMB5.0 million; and (ii) repayment of amounts due from shareholders of RMB26.6 million.

Our net cash used in investing activities amounted to RMB17.0 million for the year ended December 31, 2016, primarily reflecting (i) purchases of items of property, plant and equipment of RMB2.8 million, which was mainly used for the construction of school buildings and the purchases of teaching equipment; (ii) an addition of RMB0.8 million of time deposits with original maturity of three months or more when acquired, which we purchased using the revenue from daily operations of our schools; and (iii) advances to shareholders amounting to RMB19.4 million, partially offset by a repayment of amounts due from shareholders of RMB6.1 million.

Cash Flows (used in)/from Financing Activities

Financing activities primarily include (i) repayment of amounts due from related parties; (ii) new bank loan; (iii) repayment of bank loan; and (iv) dividends paid to a non-controlling shareholder.

Our net cash used in financing activities amounted to RMB51.3 million for the year ended December 31, 2018, primarily reflecting (i) the acquisition of non-controlling interests of RMB8.0 million; (ii) a repayment of amounts due to related parties of RMB20.0 million; (iii) a repayment of bank loans of RMB105.0 million; (iv) dividend payment of RMB10.6 million; (v) dividend payment of RMB7.7 million to the non-controlling shareholder of a subsidiary; and (vi) interest payment of RMB2.1 million for bank loans, partially offset by (i) advances from related parties of RMB12.6 million; and (ii) new bank loans of RMB89.0 million.

Our net cash generated from financing activities amounted to RMB7.7 million for the year ended December 31, 2017, primarily reflecting net advances from related parties of RMB30.9 million, partially offset by (i) repayment of bank loan of RMB1.0 million; and (ii) dividends paid to a non-controlling shareholder of RMB22.2 million.

Our net cash generated from financing activities amounted to RMB17.7 million for the year ended December 31, 2016, primarily reflecting (i) net advances from related parties of RMB30.5 million, which was used by us to support daily operation; (ii) capital contribution from the controlling shareholders of RMB1.0 million; and (iii) the proceeds of new bank loan of RMB1.0 million. Such amount was partially offset by (i) a net repayment of amounts due to shareholders of RMB13.2 million; and (ii) dividends paid to a non-controlling shareholder of RMB1.6 million.

Working Capital

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 acquiring schools and constructing new school premises, maintaining and upgrading existing school facilities, purchasing additional educational equipment for our schools and hiring additional teachers and other staff. We intend to continue to finance our working capital with cash generated from our operations, bank loans and other borrowings, the net proceeds from the Global Offering and other funds raised from the capital markets from time to time.

Our Directors are of the view that our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings and the net proceeds from the Global Offering will be sufficient to meet our working capital requirement for at least 12 months following the date of this prospectus. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Trade receivables	155	128	1,624	1,237
Tax recoverable	—	—	4,279	4,279
Prepayments, deposits and other receivables	5,599	6,031	30,402	18,853
Amounts due from shareholders	63,716	108,021	3,884	69
Amount due from a related party	—	20,003	—	—
Other current assets	528	617	574	880
Time deposits	40,824	122,098	284,336	243,445
Cash and cash equivalents	185,835	181,116	172,872	119,342
Total current assets	296,657	438,014	497,971	388,105
CURRENT LIABILITIES				
Contract liabilities	90,682	97,274	259,203	110,291
Other payables and accruals	53,335	72,197	109,333	88,260
Deferred income	949	1,071	1,653	1,665
Interest-bearing bank loan	1,000	—	89,000	89,000
Amount due to a related party	88,773	255,111	—	—
Amount due to a shareholder	—	—	516	—
Dividend payable	41,757	19,585	42,732	—
Tax payable	32,660	33,622	391	391
Total current liabilities	309,156	478,860	502,828	289,607
NET CURRENT ASSETS/ (LIABILITIES)	(12,499)	(40,846)	(4,857)	98,498

We had net current assets of RMB98.5 million as of April 30, 2019, mainly due to a decrease in our current liabilities because (i) we had dividend payables of RMB42.7 million as of December 31, 2018, which were declared by Changzheng College to a non-controlling shareholder in 2018; and (ii) a decrease of contract liabilities of RMB148.9 million, mainly because we amortized the contract liabilities for the four months in 2019 and the contract liabilities as of April 30, 2019 had fewer months of tuition fees, boarding fees and other education service income received, which have yet to be recognized as revenue by us.

As of December 31, 2016, 2017 and 2018, we had net current liabilities of RMB12.5 million, RMB40.8 million and RMB4.9 million, respectively. We had net current liabilities as of each of these dates primarily due to (i) the fact that we had contract liabilities as of the same date which were non-cash in nature; (ii) the fact that we used a large amount of cash to finance, among others, the improvement of our school facilities at Changzheng College and Jingyi Secondary School; and (iii) the payment of considerations in connection with the transformation of College of Information and Business from an independent college to a wholly privately-owned undergraduate college, which were partially offset by cash inflows from operating activities for the same periods. These capital expenditures and prepayments, which were recorded as non-current assets, were partially financed by current liabilities, such as amounts due to shareholders and a related party. Going forward, we expect to have less capital expenditure on property, plant and equipment and we will use bank borrowings as necessary for the payment of future acquisitions, which we believe will improve our cash flow position.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, we had cash and cash equivalents and time deposits of RMB226.7 million, RMB303.2 million, RMB457.2 million and RMB362.8 million, respectively. Going forward, we expect to have less capital expenditure on property, plant and equipment and we will use bank borrowings as necessary for the payment of future acquisitions, which we believe will improve our cash flow position. In addition, we have obtained a RMB400.0 million credit facility from reputable financial institutions to help us fund our working capital. Taking into account the financial resources available to us, including our cash and cash equivalents on hand, funds generated from operations and additional debt financings we may obtain, as well as estimated net proceeds from the Global Offering, our Directors believe, and the Sole Sponsor concurs, that we will be able to satisfy our working capital requirement in the next 12 months.

Trade Receivables

Our trade receivables represent the amounts related to students whose families were in financially difficult position, as a result of which we allowed delayed payment of tuition fees and boarding fees. Our trade receivables as of December 31, 2016 and 2017 and 2018 were RMB155,000, RMB128,000 and RMB1.6 million, respectively.

Our trade receivables increased from RMB128,000 as of December 31, 2017 to RMB1.6 million as of December 31, 2018, primarily due to (i) an increase in tuition fee receivables from our initially-controlled schools; and (ii) an increase in tuition fee receivables from College of Information and Business as a result of the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018.

Our trade receivables decreased from RMB155,000 as of December 31, 2016 to RMB128,000 as of December 31, 2017, primarily due to our efforts to collect tuition fees from students.

An aging analysis of the trade receivables as of December 31, 2016, 2017 and 2018, based on the invoice date and net of provisions, is as follows:

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	94	64	688
1 to 2 years	61	41	122
2 to 3 years	—	23	336
More than 3 years	—	—	478
	155	128	1,624

The movements in provision for impairment of trade receivables are as follows:

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	315	364	382
Provision for expected credit losses	49	18	839
At end of year	364	382	1,221

The individually impaired trade receivables relate to students that were in financial difficulties or were in default of tuition fee and boarding fee payments and only a portion of the receivables is expected to be recovered.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables consist of (i) prepaid co-operation costs; (ii) prepaid land lease payments to be amortized within one year; (iii) prepaid Listing expenses; (iv) tax refund receivables; (v) prepaid expenses; (vi) rental receivables; (vii) interest receivables; (viii) staff advances; and (iv) other receivables.

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Prepaid North Campus co-operation costs to Zhongyuan University of Technology	—	—	11,644
Prepaid land lease payments to be amortized within one year	3,331	3,331	7,918
Prepaid listing expenses	—	—	6,044
Other tax receivables	—	—	680
Prepaid expenses	558	460	926
Rental receivables	717	519	704
Interest receivables	639	815	1,056
Staff advances	78	53	328
Other receivables	276	853	1,102
Total	5,599	6,031	30,402

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Prepayments, deposits and other receivables increased from RMB6.0 million as of December 31, 2017 to RMB30.4 million as of December 31, 2018, mainly due to (i) an increase in prepaid listing expenses and rental receivables; and (ii) the prepaid co-operation costs of RMB11.6 million due to our consolidation of the financial results of College of Information and Business since July 6, 2018.

Prepayments, deposits and other receivables increased from RMB5.6 million as of December 31, 2016 to RMB6.0 million as of December 31, 2017, primarily due to an increase in other receivables.

Amounts due from Shareholders and a Related Party

Set out below is the summary of our amounts due from shareholders as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Chen Yuguo	29,016	91,653	3,816
Chen Yuchun	13,500	13,500	—
Chen Nansun	—	2,800	—
Zhang Xuli	—	—	—
Chen Lingfeng	11,500	—	—
Chen Shu	9,700	—	—
Guo's Investment Holdings Limited	—	22	22
Shu's Investment Holdings Limited	—	12	12
Feng's Investment Holdings Limited	—	12	12
Cao's Investment Holdings Limited	—	5	5
Chun's Investment Holdings Limited	—	7	7
CNS Investment Holdings Limited	—	3	3
ZXL Investment Holdings Limited	—	7	7
Total	63,716	108,021	3,884

Amounts due from shareholders mainly represent borrowings between the shareholders of our Company. Amounts due from shareholders were RMB63.7 million, RMB108.0 million and RMB3.9 million as of December 31, 2016, 2017 and 2018, respectively. Amounts due from shareholders increased from RMB63.7 million as of December 31, 2016 to RMB108.0 million as of December 31, 2017, and decreased to RMB3.9 million as of December 31, 2018, all of which had been settled as of the Latest Practicable Date.

Set out below is the summary of our amount due from a related party as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Wenzhou Jia Jia Network Technology Co., Ltd.	—	20,003	—
Total	—	20,003	—

Amount due from a related party was nil, RMB20.0 million, and nil as of December 31, 2016, 2017 and 2018, respectively. Amount due from a related party represents non-trade advances to Wenzhou Jia Jia Network Technology Co., Ltd.

Contract Liabilities

We recognized revenue-related contract liabilities of RMB90.7 million, RMB97.3 million and RMB259.2 million as of December 31, 2016, 2017 and 2018, respectively, which represented the unsatisfied performance obligation as of December 31, 2016, 2017 and 2018, and will be expected to be recognized within one year.

We receive tuition fees and boarding fees and other education income from students in advance prior to the beginning of each academic year (or school semester in the case of Jingyi Secondary School). Tuition fees and boarding fees are recognized proportionately over the Track Record Period of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services we have not yet rendered.

The following table sets for the breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	77,873	81,245	227,897
Boarding fees	8,405	9,060	22,962
Other education services income(1)	4,404	6,969	8,344
Total contract liabilities	90,682	97,274	259,203

Note:

(1) During the Track Record Period, other education services income mainly represents the income received from the provision of other education services of adult education services at Changzheng College and training services to the students at Jingyi Secondary School, which were amortized within the training periods of the service rendered.

Our contract liabilities increased from RMB90.7 million as of December 31, 2016 to RMB97.3 million as of December 31, 2017, and further to RMB259.2 million as of December 31, 2018, primarily due to an increase in our revenue reflecting the growth of our business during the period, which resulted in an increase in contract liabilities as we typically record tuition fees for the five months of the following calendar year as contract liabilities.

As of the Latest Practicable Date, approximately RMB206.0 million, or 79.5%, of our total contract liabilities as of December 31, 2018 were subsequently settled.

Other Payables and Accruals

Other payables and accruals primarily consist of (i) payables for salaries and welfares; (ii) miscellaneous advances received from students; (iii) payables for acquisition of prepaid land lease payments; (iv) payables for accommodation service; (v) accrued expenses; (vi) other taxes payables; and (vii) other payables.

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Payables for salaries and welfares	24,248	24,361	40,719
Other tax payables	3,374	8,675	6,689
Miscellaneous advances received from[(1)] students	9,882	12,714	16,377
Receipt on behalf of ancillary services providers	—	—	5,448
Payables for acquisition of prepaid land lease[(2)] payments	4,691	4,691	4,691
Payables for listing expenses	—	—	4,173
Payables for accommodation service	3,681	3,681	3,681
Payables for textbooks[(3)]	361	434	513
Payables for purchase of property, plant and equipment	200	8,340	1,603
Other payables[(4)]	6,898	9,301	25,439
Total	53,335	72,197	109,333

Notes:

(1) The miscellaneous advances received from students represent expenses relating to textbooks, scholarship and medical fees collected from students, which will be paid out by us on behalf of the students.

(2) The payables for acquisition of prepaid land lease payments represent the amount due to the prior owner of the land, for the land used in connection with the expansion of Changzheng College according to the contract.

(3) The payables for textbooks represent the amount due to the supplier of textbooks. The increase in 2018 was mainly due to a set of textbooks that had been invoiced but not yet settled.

(4) Other payables represent the provisions we made for certain defect properties and advanced rental payments from campus stores.

Other payables and accruals increased from RMB72.2 million as of December 31, 2017 to RMB109.3 million as of December 31, 2018, primarily due to (i) an increase of approximately RMB16.4 million in payables for salaries and welfares because we consolidated the financial results of College of Information and Business since July 6, 2018, which included RMB16.2 million of payables of salary and welfare at College of Information and Business, while such payables at our initially-controlled schools remained relatively stable; (ii) an increase of approximately RMB3.7 million in miscellaneous advances received from students due to the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018; (iii) the receipt on behalf of ancillary services providers of RMB5.4 million, which represents payables to canteens, stores and the balances in student campus cards; (iv) an increase of payables for Listing expenses of RMB4.2 million; and (v) an increase of RMB16.1 million of the payables, which included RMB14.6 million of other payables from College of Information and Business as a result of our consolidation of its financial results since July 6, 2018.

Other payables and accruals increased from RMB53.3 million as of December 31, 2016 to RMB72.2 million as of December 31, 2017, primarily due to (i) an increase of approximately RMB2.8 million in miscellaneous advances received from students because of (1) an increase of RMB2.1 million for advanced textbook fees as Changzheng College achieved larger discount from our textbook suppliers in 2017, and (2) an increase of RMB0.7 million in national scholarships and student enlistment compensations; (ii) an increase of approximately RMB5.3 million in other taxes payables primarily due to surcharge for overdue tax payment of RMB3.4 million as we did not make timely payment of income tax expenses for JH Holdings Group and Jingyi Secondary School in 2017 and the supplement of income tax and turnover tax attributed to 2015, 2016 and 2017; and (iii) an increase of RMB2.4 million in other payables including (1) utilities advances, garbage clearing fees, payables for office supplies and other miscellaneous fees of Changzheng College and Jingyi Secondary School; (2) training fees payables by Changzheng College to Wenliang Education Consulting Co., Ltd. (文亮教育諮詢公司) regarding the upgrade training for students enrolled in the undergraduate-oriented junior college program at Changzheng College; and (3) insurance payables for our students in Changzheng College.

Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period.

Deferred Income

Deferred income represents the government grants received for subsidies in connection with the construction of certain fixed assets and compensation for future costs or expenses. These grants relating to assets are generally released to profit or loss over the expected useful lives of the relevant assets. The following table sets for the details of the deferred income as of the dates indicated.

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
At beginning of year	10,670	12,157	12,054
Additions during the year	4,898	4,124	4,504
Acquisition of a subsidiary	—	—	5,286
Released to profit or loss	(3,411)	(4,227)	(5,855)
At the end of year	12,157	12,054	15,989
Current	949	1,071	1,653
Non-current	11,208	10,983	14,336
Total	12,157	12,054	15,989

The government grants relating to the construction of certain fixed assets and compensation for future cost or expense we recognized as deferred income as December 31, 2016, 2017 and 2018 amounted to RMB12.2 million, RMB12.1 million and RMB16.0 million, respectively.

The increase in deferred income from RMB12.1 million as of December 31, 2017 to RMB16.0 million as of December 31, 2018 was primarily due to the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018, which included RMB5.3 million of deferred income of College of Information and

Business as of December 31, 2018, mainly consisting of RMB4.7 million of the non-current portion of the deferred income and RMB0.5 million of the current portion of the deferred income. The deferred income from College of Information and Business represents the government grants received for subsidies in connection with the construction of certain fixed assets and compensation for cost or expense incurred. This increase was partially offset by a decrease of RMB3.1 million of deferred income of our initially-controlled schools as of December 31, 2018, mainly as a result of a decrease of the non-current portion of the deferred income due to the amortization of RMB1.1 million of government grants and the expenditure of RMB3.9 million of government grants to support our teaching activities, partially offset by the receipt of RMB1.9 million of government grants in relation to special majors development.

NON-CURRENT ASSETS

Our non-current assets primarily consist of property, plant and equipment, prepaid land lease payments and goodwill. As of December 31, 2016, 2017 and 2018, we had total non-current assets of RMB1,020.5 million, RMB1,239.4 million and RMB1,372.4 million, respectively. Our total non-current assets increased during the Track Record Period mainly due to (i) an increase in property, plant and equipment as our consolidation of the financial results of College of information and Business; (ii) an increase in prepaid land lease payments; and (iii) an increase in goodwill as our consolidation of the financial results of College of information and Business.

Goodwill

As of December 31, 2016, 2017 and 2018, goodwill amounted to nil, nil, and RMB111.0 million, respectively. The amount of consideration paid in connection with the business combination was RMB1,064.0 million (consisting of cash consideration of RMB240.0 million and fair value of previously held equity interests upon the acquisition of RMB824.0 million) and the amount of goodwill recognized as a percentage of total consideration paid was approximately 10.4%. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Our Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's CGU, or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGU) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

Our Group determines whether goodwill is impaired at least on an annual basis as at the end of each financial year. This requires an estimation of the value in use of the CGU of College of Information and Business to which the goodwill is allocated. Estimating the value in use requires our Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2018 was RMB111.0 million. The recoverable amount of the College of Information and Business as a CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2018
Revenue (% annual growth rate)	3%-6.9%
Gross profit margin (% of revenue)	50%
Long-term growth rate	3%
Pre-tax discount rate	20%

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rates – The pre-tax discount rates used are before tax and reflect specific risks relating to the College of Information and Business.

The values assigned to the key assumptions on market development of the College of Information and Business and discount rates are consistent with external information sources. The management performed impairment testing for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. No impairment loss was noted as at December 31, 2018.

Our Directors have estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavorable possible values were assigned to those factors, the recoverable amount of the CGU then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the CGU, would still exceed its carrying amount.

The following table sets forth the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of the College of Information and Business's CGU as of the dates indicated. We showed potential impact on the recoverable amount as of December 31, 2018 by applying a 3% increase or decrease in long term revenue growth rate, and 3% increase or decrease in discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals the actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysist of the potential impact of the changes in such assumptions on the recoverable amount of the College of Information and Business's CGU. As of December 31, 2018, the sensitivity on the key assumptions which are the most sensitive in the calculation of recoverable amount (i.e. value in use) and the headroom on the impairment of the goodwill is set forth below:

	Recoverable Amount	Carrying Amount of Goodwill	Carrying Amount of Other Net Assets Subject to the CGU	Carrying Amount of the CGU	Headroom
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
College of Information and Business CGU					
Base case	1,334,000	110,995	995,760	1,106,755	227,245
Long term revenue growth rate increased by 3%	1,481,000	110,995	995,760	1,106,755	374,245
Long term revenue growth rate decreased by 3%	1,231,000	110,995	995,760	1,106,755	124,245
Discount rate increased by 3%	1,206,000	110,995	995,760	1,106,755	99,245
Discount rate decreased by 3%	1,516,000	110,995	995,760	1,106,755	409,245

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Our capital expenditures during the Track Record Period were primarily related to (i) maintenance, renovation, and upgrade of our existing schools; (ii) development and constructions of new school facilities; (iii) the purchases of education equipment; and (iv) prepaid land lease payment. For the years ended December 31, 2016, 2017 and 2018, our total capital expenditures were RMB2.8 million, RMB6.7 million and RMB28.3 million, respectively. We expect to incur capital expenditures of RMB28.5 million for 2019, primarily to support building constructions in Changzheng College. We expect to fund these capital expenditures with cash generated from our operations and the net proceeds from the Global Offering. The table below sets forth a breakdown of our capital expenditures for the periods indicated.

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	2,784	6,662	27,602
Intangible assets	59	40	672
Prepaid land lease payment	—	—	—
Total	2,843	6,702	28,274

Capital Commitments

Our capital commitments primarily relate to cooperation with Zhongyuan University of Technology for the establishment and operation of College of Information and Business and with Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee for the establishment and operation of Jingyi Secondary School. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of additional equity interests of a joint venture	—	120,000	—	—
Donation	—	—	6,000	6,000
Total	—	120,000	6,000	6,000

On March 28, 2017, Zhongyuan University of Technology and JH Holdings Group entered into an agreement on the transformation of College of Information and Business into a private undergraduate college (supplemented on June 12, 2018), pursuant to which, among other things, College of Information and Business should be transformed from an independent college to a wholly privately-owned undergraduate college, namely Zhengzhou College of Economics & Business* (鄭州經貿學院), to be wholly-owned by JH Holdings Group, pursuant to which JH Holdings Group shall pay an aggregate of RMB240.0 million transformation fee to Zhongyuan University of Technology, of which, RMB120.0 million was prepaid in 2017 and remaining RMB120.0 million was paid in October 2018.

On April 9, 2018, the board of directors of Changzheng College agreed to donate RMB6.0 million to Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee for their public foundation to be established.

Operating Lease Arrangements

As Lessor

We leased out certain buildings under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. As of the dates indicated, we had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,410	1,631	2,216
After one year but within fifth years	965	2,061	994
Total	2,375	3,692	3,210

As Lessee

Effective January 1, 2019, IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. Our directors anticipate that the initial adoption will not significantly affect the financial position and performance of our Group. See note 2.3 of the Accountants' Report of our Group included in Appendix IA and note 2.2 of the Accountants' Report of College of Information and Business included in Appendix IB to this prospectus for details. We lease certain of our office properties under operating lease arrangements for terms of three years starting in May 2018.

As of the dates indicated, we had future aggregate minimum lease payments under non-cancelable operating leases falling due as follows:

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	—	—	579
After one year but within fifth years	—	—	866
Total	—	—	1,445

INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of bank loans. The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank loan – unsecured	1,000	—	89,000	89,000
Total indebtedness	1,000	—	89,000	89,000

We primarily borrow loans from banks to supplement our working capital. As of December 31, 2016, our bank loan bore an effective interest rate of 4.6% per annum and was repayable in December 2017. As of December 31, 2018, RMB50.0 million of our bank loans bore an effective interest rate of 4.6% per annum and was repayable in October 2019, and the remaining RMB39.0 million of our bank loans bore an effective interest rate of 7.2% per annum and was repayable in October 2019. These bank loans were used by us to primarily pay for the remaining consideration of RMB120.0 million in connection with the transformation of College of Information and Business on October 29, 2018.

On January 29, 2019, College of Information and Business obtained a credit facility of RMB100.0 million from China CITIC Bank, Zhengzhou Modern City Branch. It will expire on January 28, 2020. As of the Latest Practicable Date, we had not made any draw-down from this facility. On February 27, 2019, JH Holdings Group obtained a credit facilities of RMB350.0 million from Hangzhou United Rural Commercial Bank Co., Ltd, Liuxia Branch. It will expire on February 26, 2020. As of the Latest Practicable Date, we made a draw-down of RMB50.0 million. As a result of the foregoing, as of the Latest Practicable Date, our Group had an aggregate of unutilized banking facilities of RMB400.0 million.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans, default in payment of bank loans or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Statement of Indebtedness

Except as disclosed above, as of April 30, 2019, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since April 30, 2019.

Contingent Liabilities and Guarantees

Except as disclosed above, as of April 30, 2019, being the latest practicable date for determining our indebtedness, we did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against us.

LISTING EXPENSES

We expect to incur a total of RMB54.4 million of listing expenses (assuming an Offer Price of HK$1.71, being the mid-point of the indicative Offer Price range between HK$1.50 and HK$1.92, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB21.1 million has been charged to our consolidated statements of profit or loss and other comprehensive income and RMB6.0 million has been capitalized for the year ended December 31, 2018. For the remaining listing expense, RMB10.7 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2019 and RMB16.6 million is to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions and discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2019.

FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of and for the year ended December 31,		
	2016	2017	2018
Liquidity ratio			
Current ratio(1)	1.0	0.9	1.0
Profitability ratios			
Net profit margin(2)	84.6%	110.8%	95.0%
Return on assets(3)	11.5%	12.7%	16.2%
Return on equity(4)	14.6%	17.5%	22.6%
Capital adequacy ratio			
Gearing ratio(5)	0.1%	—	6.6%

Notes:

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

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

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

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

(5) 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.

Analysis of Key Financial Ratios

Current Ratio

Our current ratio increased from approximately 0.9 as of December 31, 2017 to approximately 1.0 as of December 31, 2018, primarily due to a larger increase in our current assets compared to the increase in our current liabilities, which was attributable to a significant increase of our time deposits. Our current ratio decreased from approximately 1.0 as of December 31, 2016 to approximately 0.9 as of December 31, 2017, primarily due to an increase in amount due to College of Information and Business.

Net Profit Margin

Our net profit margin decreased from 110.8% for the year ended December 31, 2017 to 95.0% for the year ended December 31, 2018, primarily due to the increase in revenue resulting the consolidation of the financial results of College of Information and Business into our Group since July 6, 2018. Our net profit margin increased from 84.6% for the year ended December 31, 2016 to 110.8% for the year ended December 31, 2017, primarily due to an increase in share of profits of joint ventures and a decrease in income tax expense. Our net profit margin was above 100% for the year ended December 31, 2017, mainly due to the share of profits of College of Information and Business during such period.

Return on Assets

Our return on assets ratio as of December 31, 2018 was 16.2%. Our return on assets ratio increased from approximately 12.7% as of December 31, 2017, primarily due to an increase in our net profit in 2018, which outpaced the increase in our average total assets in the same period. Our return on assets ratio increased from approximately 11.5% as of December 31, 2016 to approximately 12.7% as of December 31, 2017, primarily due to an increase in our net profit in 2017, which outpaced the increase in our average total assets in the same period.

Return on Equity

Our return on equity ratio as of December 31, 2018 was 22.6%. Our return on equity ratio increased from approximately 17.5% as of December 31, 2017, primarily due to an increase in our net profit in 2018, which outpaced the increase in our average total equity in the same year. Our return on equity ratio increased from approximately 14.6% as of December 31, 2016 to approximately 17.5% as of December 31, 2017, primarily due to an increase in our net profit in 2017, which outpaced the increase in our average total equity in the same year.

Gearing Ratio

Our gearing ratio was 6.6% as of December 31, 2018 as we had RMB89.0 million of interest-bearing bank loans as of the same date. Our gearing ratio was 0.1% as of December 31, 2016 as we had RMB1.0 million of interest-bearing bank loans as of the same date. We did not have any interest-bearing bank loan as of December 31, 2017.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we had certain advances to and from related parties. See "— Current Assets and Current Liabilities — Amounts due to Related Parties" and "— Current Assets and Current Liabilities — Amounts due from Shareholders and a Related Party" for details. As of the Latest Practicable Date, we had settled all balances with related parties. These balances were unsecured, interest-free and had no fixed term of repayment. According to our PRC Legal Advisors, because these advances were interest-free, they were not in contravention of the relevant lending provisions under the applicable PRC laws and regulations. Please see note 33 to the Accountants' Report of our Group in Appendix IA to this prospectus for details of these and other related party transactions.

Our Directors believe that each of the related party transactions set out in note 33 of the Accountants' Report of our Group included in Appendix IA 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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents and time deposits. The main purpose of these financial instruments is to raise finance for our Group's operations. Our Group has various other financial assets and liabilities such as accounts receivable, other receivables, other payables and accruals, amounts due from a related party and amounts due to a related party, which arise directly from its operations. The main risks arising from our Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are summarized below.

Interest Rate Risk

Our exposure to the risk of changes in the market interest rates relates primarily to our Group's bank loan with floating interest rates. The interest rates and terms of repayments of the loan are disclosed in note 24 of the Accountants' Report of our Group included in Appendix IA to this prospectus. Our Group has not used any interest swaps to hedge our exposure to interest rate risk.

The sensitivity analysis has been determined based on the exposure to interest rates for variable rate bank loans and bank balances as of December 31, 2016, 2017 and 2018 and assumed that the amount outstanding 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 Group's post-tax profit for the years ended December 31, 2016, 2017 and 2018 would decrease/increase by RMB3,699, RMB548 and RMB87,356, respectively. This is mainly attributable to our Group's exposure to interest rates on bank balances and borrowings with variable rate.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. Our Group has no concentration of credit risk from third party debtors. Deposits are mainly placed with licensing banks which are all high-credit-quality financial institutions. Our Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from related parties.

As of December 31, 2016, 2017 and 2018, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

All of the trade receivables, other receivables and amounts due from related parties have no collateral. Our Group assessed the credit quality of the counterparties by taking into account their financial position, credit history of failure to make payments on their contractually due date, the existing of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group and other factors. Our Directors also regularly review the recoverability of these receivables and follow up the disputes or amount overdue, if any. Our Directors are of the opinion that the risk of default by counterparties is low.

Our Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, our Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. Our Group considers available reasonable and supportive forward-looking information.

Our Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and lease receivables. The expected loss allowance provision for these balances was not material during the Track Record Period.

As of December 31, 2016, 2017 and 2018, the credit rating of other receivables and amounts due from related parties were performing. Our Group assessed that the expected credit losses for these receivables and amounts due from related parties are not material under the 12 months expected losses method. Thus, no loss allowance provision was recognized during the Track Record Period.

Liquidity Risk

Our Group monitors our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The maturity profile of our Group's financial liabilities as of December 31, 2016, 2017 and 2018 based on contractual undiscounted payments, was as follows:

	As of December 31, 2016				
	On demand	Within 1 year	1 to 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	24,734	—	—	24,734	24,734
Interest-bearing bank loans	—	1,005	—	1,005	1,005
Amount due to a related party	88,773	—	—	88,773	88,773
Dividend payables	41,757	—	—	41,757	41,757
Other liabilities	49	—	—	49	49
	155,313	1,005	—	156,318	156,318

	As of December 31, 2017				
	On demand	Within 1 year	1 to 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	38,170	—	—	38,170	38,170
Amount due to a related party	255,111	—	—	255,111	255,111
Dividend payables	19,585	—	—	19,585	19,585
Other liabilities	102	—	—	102	102
	312,968	—	—	312,968	312,968

	As of December 31, 2018				
	On demand	Within 1 year	1 to 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	60,937	—	—	60,937	60,937
Interest bearing bank loans	—	93,243	—	93,243	93,243
Amount due to a shareholder	516	—	—	516	516
Dividend payables	42,732	—	—	42,732	42,732
Other liabilities	31	—	—	31	31
	104,216	93,243	—	197,459	197,459

FINANCIAL INFORMATION OF THE COLLEGE OF INFORMATION AND BUSINESS

The College of Information and Business is an independent college, which provides formal undergraduate education and junior college education. Based on the cooperation agreements we had with Zhongyuan University of Technology (i) College of Information and Business consists of the Main Campus and the North Campus, the latter of which will accommodate up to 4,000 students admitted by College of Information and Business; (ii) 35% of the investment to be made to College of Information and Business should be made by Zhongyuan University of Technology and 65% to be made by JH Holdings Group. Zhongyuan University of Technology should contribute intangible assets, including, but not limited to, school brand as its investment, and JH Holdings Group should make investment to College of Information and Business by contributing the land, buildings and relevant facilities; (iii) the assets of the North Campus be contributed by and belong to Zhongyuan University of Technology, and all assets of the Main Campus should be contributed by JH Holdings Group and belong to College of

Information and Business; and (iv) the total income and loss relating to the operation in the North Campus are all allocated to Zhongyuan University of Technology, and the income and loss relating to the operation in Main Campus are allocated to Zhongyuan University of Technology as to 35% and to JH Holdings Group as to 65%. Based on the foregoing, from 2007 until the commencement of the 2017/2018 school year, Zhongyuan University of Technology was entitled to 35.0% of the income and loss relating to the operation in the Main Campus and all of the income of the North Campus, and we were entitled to the remaining 65.0% of the income and loss relating to the operation in the Main Campus, which was recorded in our Group's consolidated financial statements as share of profits of joint ventures.

Pursuant to the termination and transformation agreements we entered into with Zhongyuan University of Technology, the post-termination arrangements are divided into two periods, namely, the filing period and the transitional period. The filing period begins on March 28, 2017 and last until the date we obtain approval of transformation from the MOE. During this period, all of the benefits and risks in relation to the North Campus will be entitled by Zhongyuan University of Technology. Beginning from the 2017/2018 school year, College of Information and Business shall have no additional payment obligation to Zhongyuan University of Technology of the 35% of the income and loss generated from the Main Campus, which shall be entitled by our Group. Therefore, from the commencement of the 2017/2018 school year until July 5, 2018, we were entitled to 100% of the income and loss relating to the operation of the Main Campus, which was also recorded in our Group's consolidated financial statements as share of profits of joint ventures. Beginning on July 6, 2018, we have consolidated the financial results of College of Information and Business into the financial results of our Group. The transitional period commences on the date we obtain MOE approval and lasts until the date on which all of the students recruited under the name of College of Information and Business have graduated. During this period, the income and loss generated from the students admitted prior to the MOE approval date who study in the North Campus shall still be entitled by Zhongyuan University of Technology, while all of the income and loss generated from the students admitted under the name of Zhengzhou College of Economics & Business and all of the income and loss generated from the students admitted prior to the MOE approval date who study in the Main Campus shall belong to our Group.

In terms of revenue recognition, tuition fees and boarding fees are typically paid by the students in advance prior to the beginning of each school year (usually from September of the current year to August of the following year). Tuition fees are recognized proportionately each month over a nine-month period of the school year whereas boarding fees are recognized proportionately each month over a 12-month period for non-graduating students and over a 10-month period for graduating students. Tuition fees and boarding fees are initially recorded as contract liability. The portion of tuition and boarding payments received from students but not earned is recorded as contract liability and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year. Since 2017, College of Information and Business has the discretion to set the tuition fee rates within the upper limits to newly enrolled students, subject to the filings to be made with the pricing authority of Henan province.

The Accountants' Report of the College of Information and Business is set out in Appendix IB to this prospectus.

Results of Operations of the College of Information and Business

The following table presents the selected consolidated statements of profit or loss and other comprehensive income of the College of Information and Business for the years ended December 31, 2016 and 2017 and the period ended July 5, 2018:

	Year ended December 31,		Period ended July 5,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CONTINUING OPERATIONS				
Revenue	248,531	261,079	143,854	148,510
Cost of sales	(112,754)	(125,934)	(63,299)	(67,077)
Gross profit	135,777	135,145	80,555	81,433
Other income and gains	2,015	2,781	1,197	1,600
Selling and distribution expenses	(2,633)	(2,613)	(1,522)	(1,035)
Administrative expenses	(13,138)	(14,903)	(6,915)	(6,894)
Other expenses	(412)	(673)	(121)	—
Finance costs	—	—	—	(794)
Profit before tax	121,609	119,737	73,194	74,310
Income tax expense	—	—	—	—
Profit for the year/period	121,609	119,737	73,194	74,310

Revenue

Revenue represents the value of services rendered, after deducting scholarships and refunds, during the Track Record Period and up to the period ended July 5, 2018. The College of Information and Business derives revenue from tuition fees and boarding fees it collects from students. Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liability. Tuition and boarding fees are recognized proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liability and is reflected as a current liability as such amounts represent revenue that the College of Information and Business expects to earn within one year. The academic year of the College of Information and Business is generally from September of the current year to August of the following year. For the years ended December 31, 2016 and 2017, and the period ended July 5, 2018, the College of Information and Business generated a total revenue of RMB248.5 million, RMB261.1 million and RMB148.5 million, respectively.

The table below summarizes the amount of revenue of the College of Information and Business generated from tuition fees and boarding fees for the periods indicated:

	Year ended December 31,		Period ended July 5,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Tuition fee-Undergraduate program	194,313	201,166	111,031	115,070
Boarding fee-Undergraduate program	15,568	16,310	8,613	8,885
Tuition fee-Junior college program	18,876	20,044	12,225	10,012
Boarding fee-Junior college program	2,358	2,603	1,483	1,223
Tuition fee-Undergraduate-oriented junior college program	16,101	19,391	9,694	12,354
Boarding fee-Undergraduate-oriented junior college program	1,315	1,565	808	966
Total	248,531	261,079	143,854	148,510

Period Ended July 5, 2018 Compared to Period Ended July 5, 2017

Total revenue increased by 3.2% from RMB143.9 million for the period ended July 5, 2017 to RMB148.5 million for the period ended July 5, 2018 primarily due to an increase in the tuition fee rates of RMB1,500 or RMB2,000 per student per school year for approximately 25% of the majors offered by the junior college program, and RMB900 or RMB1,900 per student per school year for most of the major offerings by the bachelor's program and undergraduate-oriented junior college program at College of Information and Business for the 2017/2018 school year, partially offset by a decrease in tuition fee revenue from the junior college program as we intentionally decreased student enrollment in this program in 2017 in connection with the transformation of College of Information and Business from an independent college to a wholly privately-owned undergraduate college.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Total revenue increased by 5.0% from RMB248.5 million for the year ended December 31, 2016 to RMB261.1 million for the year ended December 31, 2017. This increase was primarily due to an increase in the tuition fee rates of RMB1,500 or RMB2,000 per student per school year for approximately 25% of the majors offered by the junior college program, and RMB900 or RMB1,900 per student per school year for most of the major offerings by the bachelor's program and undergraduate-oriented junior college program at College of Information and Business for the 2017/2018 school year.

Cost of Sales

Cost of sales of the College of Information and Business consists primarily of (i) salaries; (ii) depreciation and amortization; (iii) utilities expenses; (iv) maintenance costs; (v) student activities costs; (vi) co-operation costs, which were the school operating profit of the North Campus contributed to Zhongyuan University of Technology; (vii) student allowances; and (viii) other expenses. The following table sets forth the components of the College of Information and Business's cost of sales for the periods indicated.

	Year ended December 31,		Period ended July 5,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries	42,605	48,601	23,738	26,512
Depreciation and amortization	17,694	22,615	10,032	14,351
Utilities expenses	5,792	5,881	3,295	3,392
Maintenance costs	3,819	5,692	1,920	233
Office allowance	519	564	343	88
Educational supplies	690	994	629	502
Student activities costs	2,536	3,328	2,356	1,215
Training expenses	889	1,049	687	465
Co-operation costs	34,734	34,331	19,066	19,081
Travel expenses	77	62	20	32
Student allowances	2,115	1,510	452	784
Cleaning and greening expenses	875	866	536	203
Business tariff and annex	24	29	27	21
Others	385	412	198	198
Total	112,754	125,934	63,299	67,077

Salary expenses mainly consist of salaries, social insurance and other welfare benefits paid to the teachers of College of Information and Business. For the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, salary expenses for teaching personnel were RMB42.6 million, RMB48.6 million and RMB26.5 million, respectively, representing 37.8%, 38.6% and 39.5% of the College of Information and Business's total cost of sales, respectively.

Depreciation and amortization relates to the depreciation and amortization of property, plant and teaching equipment for providing educational services, which amounted to approximately RMB17.7 million, RMB22.6 million and RMB14.4 million for the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, respectively, representing 15.7%, 18.0% and 21.4% of the total cost of sales of College of Information and Business, respectively.

Maintenance costs primarily consist of maintenance and repair costs for school buildings and student dormitories. Student activities costs mainly relate to the fees we paid to Zhongyuan University of Technology for the experiments and internship programs and the costs of student graduation projects. Co-operation costs relate to the royalty fees we paid to Zhongyuan University of Technology in connection with the operation of College of Information and Business according to the cooperation agreement. Student allowances primarily consist of student salary for work-study program and water subsidies. For the years ended December 31, 2016 and 2017 and period ended July 5, 2018, co-operation costs amounted to RMB34.7 million, RMB34.3 million and RMB19.1 million, respectively. Other expenses primarily consist of telecommunication expenses, conference fees and other miscellaneous expenses.

Period Ended July 5, 2018 Compared to Period Ended July 5, 2017

Cost of sales increased by 6.0% from RMB63.3 million for period ended July 5, 2017 to RMB67.1 million for the period ended July 5, 2018. This increase was primarily due to (i) an increase of RMB4.3 million in depreciation and amortization as student activities center, student dormitories and teacher apartments were transferred from construction projects to fixed assets in 2018; and (ii) an increase of RMB2.8 million in salary expenses of the teaching staff of College of Information and Business for the period ended July 5, 2018 as a result of an increase in the number of teachers we engaged for the 2017/2018 school year, which led to higher social insurance and other welfare benefits paid. This increase was partially offset by (i) a decrease of RMB1.7 million in maintenance costs on account of the fact that College of Information and Business spent large amounts on projects involving the repair and maintenance of educational equipment and devices in order to provide a better education environment for teachers and students in the previous years, most of which were completed in 2017; and (ii) a decrease of RMB1.1 million in student activities costs due to the fact that in 2017, College of Information and Business rented the laboratories from Zhongyuan University of Technology and paid a rental fee amounting to approximately RMB1.0 million, while in 2018, there was no such lease due to the completion of the construction of new teaching buildings.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Cost of sales increased by 11.7% from RMB112.8 million for the year ended December 31, 2016 to RMB125.9 million for the year ended December 31, 2017. This increase was primarily due to (i) an increase of RMB6.0 million of salary costs due to increased salary and benefits we paid for our teachers in College of Information and Business as a result of increased number of teaching staff and remuneration standards; (ii) an increase of RMB4.9 million in depreciation and amortization as College of Information and Business purchased teaching equipment and transferred the student dormitories from construction projects to fixed assets in 2017; and (iii) an increase of RMB1.9 million in maintenance costs for College of Information and Business invested more in projects involving the repair and maintenance of teaching facilities and dormitory furniture in order to provide a better education environment as a result of the steady increase in the numbers of teachers and students at the school.

Gross Profit Margin

Period Ended July 5, 2018 Compare to Period Ended July 5, 2017

Gross profit margin decreased slightly to 54.8% for the period ended July 5, 2018 from 56.0% for the period ended July 5, 2017 primarily due to the increased amounts of salary and benefits as well as depreciation and amortization, which offset the growth of revenue from tuition fees.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Gross profit margin decreased by 2.8% to 51.8% for the year ended December 31, 2017 from 54.6% for the year ended December 31, 2016 primarily because the increase in cost of sales outpaced the growth of revenue due to the increased amounts of salary and benefits as well as depreciation and amortization.

Other Income and Gains

Other income and gains of the College of Information and Business consists primarily of (i) bank interest income; (ii) rental income; (iii) government grants; and (iv) others.

The table below summarizes the amount of the College of Information and Business's other income and gains for the periods indicated:

	Year ended December 31,		Period ended July 5,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other income and gains				
Bank interest income	389	592	298	114
Rental income	972	1,198	432	670
Government grants				
– Related to assets	55	247	88	271
– Related to expenses	122	465	254	480
Others	477	279	125	65
Total	2,015	2,781	1,197	1,600

Bank interest income consists of interest earned on our bank deposits. Rental income relates to the lease income and management fees generated from lessees, which leased canteen premises from College of Information and Business. Government grants primarily consist of grants from the relevant education authorities in Henan province, including discretionary subsidies to promote, among other objectives, higher education and private education. The amounts and timing of our government grants are determined solely at the discretion of the relevant government authorities, and there is no assurance that we will continue to receive these government grants in the future. We recognize government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Period Ended July 5, 2018 Compared to Period Ended July 5, 2017

Other income and gains increased by 33.7% from RMB1.2 million for the period ended July 5, 2017 to RMB1.6 million for the period ended July 5, 2018. The increase was primarily due to an increase of RMB0.2 million in rental income, which was contingent on the operating revenue of the lessee that leased the canteen premises from College of Information and Business.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Other income and gains increased by 38.0% from RMB2.0 million for the year ended December 31, 2016 to RMB2.8 million for the year ended December 31, 2017. The increase was primarily due to (i) an increase of RMB0.5 million in government grants as a result of the transfer from deferred income into other income and gains as College of Business and Information increasingly relied on government grants to support its daily operations and the purchases of teaching equipment; (ii) an increase of RMB0.2 million in bank interest income; and (iii) an increase of RMB0.2 million in rental income, which is contingent on the revenue of third-party campus canteens in College of Information and Business.

Selling and Distribution Expenses

Selling and distribution expenses of the College of Information and Business consist primarily of student recruitment and advertising expenses. The following table sets for the amount of selling and distribution expenses for the periods indicated.

	Year ended December 31,		Period ended July 5,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Selling and distribution expenses	2,633	2,613	1,522	1,035
	2,633	2,613	1,522	1,035

Period Ended July 5, 2018 Compared to Period Ended July 5, 2017

Selling and distribution expenses decreased 32.0% from RMB1.5 million for the period ended July 5, 2017 to RMB1.0 million for the period ended July 5, 2018, because in 2017, the recruitment and advertisement activities took place in the first half of the year, while in 2018, those activities occurred in the second half of the year.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Selling and distribution expenses remained relatively stable at RMB2.6 million for the years ended December 31, 2016 and 2017.

Administrative Expenses

Administrative expenses of the College of Information and Business primarily consist of (i) salaries; (ii) depreciation and amortization; (iii) entertainment costs; (iv) utilities expenses; (v) office expenses; (vi) tax expenses; (vii) benefits; (viii) transportation costs; and (ix) others. The following table sets forth the components of College of Information and Business's administrative expenses for the periods indicated:

	Year ended December 31,		Period ended July 5,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries	7,529	8,567	3,942	3,703
Depreciation and amortization	2,873	2,934	1,434	1,566
Entertainment costs	119	156	81	116
Utilities expenses	75	77	63	62
Office expenses	761	1,150	517	288
Tax expenses	111	134	46	75
Benefits	49	—	—	0
Transportation costs	838	971	511	594
Other expenses	783	914	321	490
Total	13,138	14,903	6,915	6,894

Period Ended July 5, 2018 Compared to Period Ended July 5, 2017

Administrative expenses remained stable at RMB6.9 million for the period ended July 5, 2017 and 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Administrative expenses increased by 13.4% from RMB13.1 million for the year ended December 31, 2016 to RMB14.9 million for the year ended December 31, 2017, primarily due to (i) an increase of RMB1.0 million of salaries and pensions paid as a result of an increase in remuneration of the administrative staff and an increase in the welfare benefits standards; and (ii) an increase of RMB0.4 million in office allowances as a result of increased visiting and exchange activities by the teaching staff of College of Information and Business to other colleges and universities in the PRC in preparation for the transformation of College of Information and Business in 2017.

Other Expenses

Other expenses of the College of Information and Business consist primarily of bad debt provision of unpaid tuition fees and boarding fees and losses incurred upon disposal of fixed assets.

	Year ended December 31,		Period ended July 5,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other expenses	(412)	(673)	(121)	—
	(412)	(673)	(121)	—

Period Ended July 5, 2018 Compared to Period Ended July 5, 2017

Other expenses decreased by 100.0% from RMB121,000 expended for the period ended July 5, 2017 to nil earned for the period ended July 5, 2018, primarily due to the disposal of fixed assets in the first half of 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Other expenses increased by 63.3% from RMB412,000 for the year ended December 31, 2016 to RMB673,000 for the year ended December 31, 2017, primarily due to (i) the disposal of fixed assets in the first half of 2017; and (ii) an increase in bad debt provisions of RMB140,000.

Finance Costs

Finance costs of the College of Information and Business were nil, nil and RMB794,000 for the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, respectively. College of Information and Business had short-term bank loans in 2018.

Profit for the Year/Period

For the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, the College of Information and Business's profit for the year/period was RMB121.6 million, RMB119.7 million and RMB74.3 million, respectively.

Current Assets and Current Liabilities

The following table sets forth details of the current assets and current liabilities of College of Information and Business as of the dates indicated:

	As of December 31,		As of July 5,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
CURRENT ASSETS			
Trade receivables	1,443	1,441	1,737
Prepayments, deposits and other receivables	4,996	5,561	2,167
Amounts due from related parties	153,865	265,885	254,740
Cash and cash equivalents	105,522	57,355	71,711
Total current assets	265,826	330,242	330,355
CURRENT LIABILITIES			
Contract liabilities	146,016	150,327	2,428
Other payables and accruals	46,056	56,647	47,804
Deferred income	159	542	542
Interest-bearing bank loans	—	—	105,000
Dividend payable	—	293	293
Amounts due to related parties	26,372	74,946	38,823
Total current liabilities	218,603	282,755	194,890
NET CURRENT ASSETS	47,223	47,487	135,465

As of December 31, 2016 and 2017 and July 5, 2018, the College of Information and Business had net current assets of RMB47.2 million, RMB47.5 million and RMB135.5 million, respectively. The net current assets of College of Information and Business generally increased in the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, primarily due to the increases in current assets outpacing the growth in current liabilities. The current assets of College of Information and Business increased in the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, primarily as a result of (i) an increase in amount due from related parties from RMB153.9 million as of December 31, 2016 to RMB265.9 million as of December 31, 2017, mainly relating to the cost of the transformation of College of Information and Business from independent college to a wholly privately-owned undergraduate college; and (ii) increases in cash and cash equivalents from RMB57.4 million as of December 31, 2017 to RMB71.7 million as of July 5, 2018. Cash and cash equivalent decreased from RMB105.5 million as of December 31, 2016 to RMB57.4 million as of December 31, 2017, primarily as a result of (i) net cash flow generated from operating activities of RMB168.9 million; (ii) net cash flow used in investment activities of RMB270.7 million; and (iii) net cash flow generated from financing activities of RMB53.6 million.

The current liabilities of College of Information and Business increased from RMB218.6 million as of December 31, 2016 to RMB282.8 million as of December 31, 2017, mainly due to (i) increase in contract liabilities resulting from increased tuition fee and boarding fee payments from our students, which was in line with the growth of our business; (ii) an increase in amounts due to related parties as of December 31, 2017, which was used by College of Information and Business to support its teaching activities. The current liabilities of College of Information and Business decreased to RMB194.9 million as of July 5, 2018, mainly because most of the tuition fees and boarding fees have been amortized at the end of June 2018, partially offset by an increase of RMB105.0 million bank borrowings took out by College of Information and Business for the payment of its tax expenses and the support of teaching activities.

Trade Receivables

The trade receivables of College of Information and Business represented amounts related to students whose families were in financially difficult position, as a result of which we allowed delayed payment of tuition fees and boarding fees. College of Information and Business's trade receivables as of December 31, 2016 and 2017 and July 5, 2018 were RMB1.4 million, RMB1.4 million and RMB1.7 million, respectively.

College of Information and Business's trade receivables increased from RMB1.4 million as of December 31, 2017 to RMB1.7 million as of July 5, 2018, primarily due to College of Information and Business increased its tuition fee rates for certain majors in all of its education programs in 2017/2018 school year and such trade receivables accumulated to July 5, 2018, which is the end of the 2017/2018 school year.

College of Information and Business's trade receivables remained relatively stable at RMB1.4 million as of December 31, 2016 and 2017.

An aging analysis of the trade receivables as of December 31, 2016 and 2017 and July 5, 2018, based on the invoice date and net of provisions, was as follows:

	As of December 31,		As of July 5,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	430	584	905
1 to 2 years	471	380	354
2 to 3 years	542	238	240
Over 3 years	—	239	238
	1,443	1,441	1,737

The movements in provision for impairment of trade receivables were as follows:

	As of December 31,		As of July 5,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	111	522	1,074
Provision for expected credit losses	411	552	(9)
	522	1,074	1,065

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables consist of (i) prepaid land lease payments, (ii) advances to staff and third parties; (iii) rental receivables; and (iv) prepaid expenses. The following table sets forth the detailed breakdown of the prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		As of July 5,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Prepaid land lease payments	1,007	1,007	1,007
Advances to staff and third parties	3,323	3,056	677
Rental receivables	483	1,341	432
Prepaid expenses	183	157	51
Total	4,996	5,561	2,167

None of the above assets was past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Prepayments, deposits and other receivables decreased from RMB5.6 million as of December 31, 2017 to RMB2.2 million as of July 5, 2018, primarily due to a decrease of RMB2.4 million in advances to staff and third parties as a result of College of Information and Business increasing its efforts to collect advances to third parties as of July 5, 2018.

Prepayments, deposits and other receivables increased from RMB5.0 million as of December 31, 2016 to RMB5.6 million as of December 31, 2017, primarily reflecting an increase of RMB0.9 million in rental receivables due to the fact that College of Information and Business did not settle such rental income timely in 2017. These increases were partially offset by a decrease of RMB0.3 million in advances to staff and third parties as a result of the improvement in capital management measures.

Amounts due from Related Parties

Set out below is a summary of amounts due from related parties.

	As of December 31,		As of July 5,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
JH Holdings Group	115,145	255,111	254,740
Zhongyuan University of Technology	32,148	10,774	—
Chen Yuchun	—	—	—
Chen Lingfeng	—	—	—
Chen Shu	—	—	—
Chen Yuguo	6,572	—	—
Total	153,865	265,885	254,740

Amounts due from related parties included (i) advances to JH Holdings Group to finance the payment for the transformation of College of Information and Business; (ii) advances to Zhongyuan University of Technology for the school income distribution; and (iii) non-trade advances to shareholders.

Other Payables and Accruals

Other payables and accruals include (i) payables for salary and welfare; (ii) other tax payable; (iii) receipt on behalf of ancillary services providers; (iv) payables for purchase of property, plant and equipment; (v) miscellaneous advances received from students; (vi) accrued expenses; and (vii) other payables. The table below sets forth the detailed breakdown of the other payables and accruals as of the dates indicated.

	As of December 31,		As of July 5,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Payables for salary and welfare	17,732	18,485	19,997
Other tax payable	4,066	6,409	6,968
Receipt on behalf of ancillary services providers	6,096	8,448	5,548
Payables for purchase of property, plant and equipment	3,855	8,885	3,049
Miscellaneous advances received from students	3,919	3,156	1,070
Accrued expenses	1,027	1,057	802
Other payables	9,361	10,207	10,370
Total	46,056	56,647	47,804

Other payables and accruals decreased from RMB56.6 million as of December 31, 2017 to RMB47.8 million as of July 5, 2018, primarily due to (i) a decrease of RMB2.9 million in receipt on behalf of ancillary services providers as College of Information and Business did not settle the payables to third-party operated canteens and campus supermarkets timely in 2017; (ii) a decrease of RMB5.8 million in payable for purchases of property, plant and equipment as College of Information and Business settled most of such payables in 2018; and (iii) a decrease of RMB2.1 million in miscellaneous advances received from students as most of such advances were used or reimbursed to students at the end of the 2017/2018 school year, partially offset by an increase of RMB1.5 million in payables for salary and welfare due to an increase in the lecture fees payable to external teachers.

Other payables and accruals increased from RMB46.1 million as of December 31, 2016 to RMB56.6 million as of December 31, 2017, primarily due to (i) an increase of RMB2.3 million in other tax payables as College of Information and Business supplemented income tax and turnover tax attributed to 2015, 2016 and 2017; (ii) an increase of RMB2.4 million in receipt on behalf of ancillary services providers as College of Information and Business did not settle the payables to third-party operated canteen and campus supermarkets timely in 2017; and (iii) an increase of RMB5.0 million in payables for purchase of property, plant and equipment as College of Information and Business purchased electric equipment, transportation equipment and furniture in the second half of 2017.

Contract Liabilities

College of Information and Business recognized revenue-related contract liabilities of RMB146.0 million, RMB150.3 million and RMB2.4 million as of December 31, 2016 and 2017 and July 5, 2018, respectively, which represented the unsatisfied performance obligation as of December 31, 2016 and 2017 and July 5, 2018 and will be expected to be recognized within one year.

College of Information and Business's contract liabilities increased from RMB146.0 million as of December 31, 2016 to RMB150.3 million as of December 31, 2017, primarily due to (i) College of Information and Business increased its tuition fees rates by RMB900 or RMB1,900 per student per school year for most of the major offerings by the bachelor's degree program and undergraduate-oriented junior college program for the 2017/2018 school year, and by RMB1,500 per student per school year for certain majors in the junior college program in 2017/2018 school year; and (ii) an increase in advanced tuition fees of RMB4.2 million in 2017, respectively, as the number of student enrollments in College of Information and Business increased from 19,008 for the 2015/2016 school year to 20,374 for the 2016/2017 school year. Contract liabilities decreased from RMB150.3 million as of December 31, 2017 to RMB2.4 million as of July 5, 2018, as a result of the amortization of most of the tuition fees and boarding fees in July 5, 2018, which is the end of the 2017/2018 school year.

As of the Latest Practicable Date, approximately RMB124.8 million, representing 79.0% of College of Information and Business's contract liabilities as of December 31, 2018 were subsequently settled.

Amounts Due to Related Parties

Set out below is a summary of amounts due to related parties.

	As of December 31,		As of July 5,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Chen Yuguo	—	19,946	19,946
Wenzhou Jiaren	11,800	—	—
Zhejiang Jialuo Science and Technology Co., Ltd.	10,000	—	—
Jingyi Secondary School	4,572	—	—
Zhongyuan University of Technology	—	—	11,877
Wenzhou Jia Jia Network Technology Co., Ltd.	—	55,000	7,000
Total	26,372	74,946	38,823

Amounts due to related parties included advances from Zhongyuan University of Technology, Wenzhou Jiaren, Jingyi Secondary School, Wenzhou Jia Jia Network Technology Co., Ltd., Zhejiang Jialuo Science and Technology Co., Ltd. and Mr. Chen Yuguo for the construction of teaching facilities, dormitories and public facilities for teaching purposes.

Cash Flows

The following table sets forth a summary of the College of Information and Business's cash flows for the periods indicated.

	Year ended December 31,		Period ended July 5,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash flows from/(used in) operating activities	169,914	168,873	(36,098)	(34,654)
Net cash flows used in investing activities	(106,645)	(270,656)	(66,720)	(7,196)
Net cash flows (used in)/from financing activities	(18,476)	53,616	39,666	56,206
Net (decrease)/ increase in cash and cash equivalents	44,793	(48,167)	(63,152)	14,356
Cash and cash equivalents at beginning of year/period	60,729	105,522	105,522	57,355
Cash and cash equivalents	105,522	57,355	42,370	71,711

Cash Flows (Used in)/from Operating Activities

The College of Information and Business generates cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid in advance before the respective services are rendered. Tuition fees and boarding fees are initially recorded under deferred revenue. The College of Information and Business recognizes such amounts received as revenue proportionately over the relevant period of the applicable program.

Net cash used in operating activities amounted to RMB34.7 million for the period ended July 5, 2018, primarily reflecting RMB90.1 million of cash generated from operations before working capital adjustments and negative net working capital adjustments of RMB124.9 million. College of Information and Business's negative working capital adjustments primarily consist of (i) a decrease in other payables and accruals of RMB3.0 million as a result of (1) a decrease of RMB2.9 million in receipt on behalf of ancillary services providers as College of Information and Business did not settle the payables to third-party operated canteens and campus supermarkets timely in 2017; and (2) a decrease of RMB2.1 million in miscellaneous advances received from students as most of such advances were used or reimbursed to students at the end of the 2017/2018 school year, partially offset by an increase of RMB1.5 million in payables for salary and welfare in 2017 due to the increase in lecture fees payable to external teachers; and (ii) a decrease in contract liabilities of RMB147.9 million as a result of the amortization of most of tuition fees and boarding fees in July 5, 2018, which is the end of the 2017/2018 school year, partially offset by decrease in prepayments, deposits and other receivables of RMB3.4 million as (1) a decrease of RMB2.4 million in advances to staff and third parties as all advances to third parties had been collected as of July 5, 2018; and (2) a decrease of RMB0.9 million in rental receivables as College of Information and Business did not settle such rental income timely in 2017. The operating cash outflows of College of Information and Business for the period ended July 5, 2018 were primarily due to (i) the seasonality effect since College of Information and Business typically received most of the tuition and boarding fees in the second half of the year; and (ii) College of Information and Business needed to continuously pay staff salaries and utility expenses in the first half year to support its daily operation.

Net cash from operating activities amounted to RMB168.9 million for the year ended December 31, 2017, primarily reflecting RMB144.7 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB23.6 million. College of Information and Business's positive working capital adjustments primarily consist of (i) an increase in other payables and accruals of RMB5.6 million, primarily due to (1) an increase of RMB2.3 million in other tax payables as College of Information and Business supplemented income tax and turnover tax attributed to 2015, 2016 and 2017; and (2) an increase of RMB2.4 million in receipt on behalf of ancillary services providers as College of Information and Business did not settle the payables to third-party operated canteens and campus supermarkets timely in 2017; (ii) an increase in contract liabilities of RMB4.3 million, primarily because College of Information and Business increased its tuition fees rates by RMB1,900 per student per school year for approximately 50% of the majors for the bachelor's degree program and undergraduate-oriented junior college program for the 2017/2018 school year, and by RMB1,500 per student per school year for certain majors in the junior college program in 2017/2018 school year; and (iii) an increase in government grants of RMB3.2 million.

Net cash from operating activities amounted to RMB169.9 million for the year ended December 31, 2016, primarily reflecting RMB142.0 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB27.5 million. College of Information and Business's positive working capital adjustments primarily consist of (i) an increase in other payables and accruals of RMB6.6 million as a result of (1) an increase of RMB2.4 million in payables for salary and welfare as College of Information and Business had more staff and the increased payment base rate for social insurance and housing provident fund in 2016; (2) an increase of RMB2.1 million in other tax payables as College of Information and Business supplemented income tax and turnover tax attributed to 2015 and 2016; and (3) an increase of RMB1.5 million in miscellaneous advances received from students as

College of Information and Business did not transfer the enlisted compensation it received to their students timely; (ii) an increase in contract liabilities of RMB9.7 million as a result of an increase in advanced tuition fees of RMB0.9 million in 2016 as the number of student enrollments in College of Information and Business increased from 19,008 for the 2015/2016 school year to 20,374 for the 2016/2017 school year; and (iii) an increase in government grants of RMB1.3 million.

Cash Flows Used in Investing Activities

The College of Information and Business's expenditures for investing activities were primarily for the purchase of property, plant and equipment.

Net cash used in investing activities amounted to RMB7.2 million for the period ended July 5, 2018, reflecting (i) RMB7.4 million used to purchase property, plant and equipment reflecting construction of teaching facilities, dormitories and public facilities for teaching purposes; and (ii) RMB0.2 million used to purchase intangible assets for teaching activities.

Net cash used in investing activities amounted to RMB270.7 million for the year ended December 31, 2017, reflecting (i) RMB106.7 million used to purchase property, plant and equipment reflecting construction of teaching facilities, dormitories and public facilities for teaching purposes; (ii) RMB4.4 million used to purchase intangible assets for teaching activities; and (iii) net advances to related parties amounted to RMB159.5 million.

Net cash used in investing activities amounted to RMB106.6 million for the year ended December 31, 2016, reflecting (i) RMB46.2 million used to purchase property, plant and equipment reflecting construction of teaching facilities, dormitories and public facilities for teaching purposes; and (ii) net advances to related parties amounted to RMB60.5 million.

Cash Flows (Used in)/from Financing Activities

The College of Information and Business's expenditures for financing activities were primarily for the advances from related parties, new bank loans and repayment of bank loans.

Net cash from financing activities amounted to RMB56.2 million for the period ended July 5, 2018, primarily reflecting new banks loans of RMB125.0 million, which was used by College of Information and Business to pay a portion of the listing expenses, partially offset by (i) repayment of amounts due to related parties of RMB48.0 million, which was used by College of Information and Business to fund its daily operation; and (ii) repayment of bank loans of RMB20.0 million, which was used by College of Information and Business to fund the daily operation of College of Information and Business.

Net cash from financing activities amounted to RMB53.6 million for the year ended December 31, 2017, primarily reflecting (i) advances from related parties of RMB55.0 million, which was used by College of Information and Business to construct teaching facilities; and (ii) repayment of banks loans of RMB125.0 million, which was used by College of Information and Business for the construction of teaching facilities, dormitories and public facilities for teaching purposes partially offset by new bank loans of RMB125.0 million which was used by College of Information and Business to construction of teaching facilities, dormitories and public facilities for teaching purposes.

Net cash used in financing activities amounted to RMB18.5 million for the year ended December 31, 2016, primarily reflecting (i) dividends paid to shareholders amounted to RMB17.8 million; and (ii) repayment of banks loans of RMB50.0 million, which was used by College of Information and Business for construction of teaching facilities, dormitories and public facilities for teaching purposes, partially offset by new bank loans of RMB50.0 million which was used by College of Information and Business for construction of teaching facilities, dormitories and public facilities for teaching purposes.

Capital Commitments

As of December 31, 2016 and 2017 and July 5, 2018, College of Information and Business did not have any significant capital commitments.

Operating Lease Arrangements

For the years ended December 31, 2016 and 2017 and the period ended July 5, 2018, the College of Information leased a number of properties that were primarily used as canteens and stores under operating leases as a lessor. Leases for buildings were negotiated for a term of one year and lessees are required to pay to College of Information and Business 5% of their revenue. It did not lease any properties as a lessee for the years ended December 31, 2016 and 2017 and the period ended July 5, 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2018.

DIVIDENDS

For the year ended December 31, 2016 and 2017 and 2018, we declared dividends of RMB21.3 million, nil and RMB23.2 million, respectively. As of the Latest Practicable Date, we did not declare any dividend for 2019.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating

Schools, which are primarily incorporated in the PRC. Our PRC Operating Schools 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 FIE, our Company's subsidiaries and our PRC Operating Schools must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. The school sponsors of the Changzheng College have elected to require reasonable returns.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. The determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rule 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to disclose requirements under Rule 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Asia-Pacific Consulting and Appraisal Limited, an independent property valuation firm, has valued the properties held by us as of April 30, 2019. The text of its letter, summary of values and valuation certificate are set out in the property valuation report as set forth in Appendix III to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as of December 31, 2018 to their market value as of April 30, 2019 attributed by Asia-Pacific Consulting and Appraisal Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix III to this prospectus:

	RMB'000
Net book value of the following properties as of December 31, 2018:	
Buildings and construction in process included in property, plant and equipment	825,150[(1)]
Prepaid land lease payments	307,048[(2)]
Less: Properties out of scope for the market value valuation[(3)]	(19,861)
Less: Lease payment located on allocated land without commercial value[(3)]	(203,294)
Less: Buildings without commercial value due to the allocated land nature of the property and lack of title certificates[(3)]	(574,297)
Add: Additions in buildings and construction in progress	—
Less: Depreciation and amortization for the four months ended April 30, 2019	(3,676)
	331,070
Valuation surplus	25,344
Valuation as of April 30, 2019	356,414

Notes:

(1) The amount comprised the net carrying amount of the properties and buildings, leasehold improvements and construction in progress as of December 31, 2018 of approximately RMB732.9 million, RMB67.8 million and RMB24.4 million, respectively, as set forth in note 13 of the Accountants' Report of our Group included in Appendix IA to this prospectus.

(2) The amount represented the carrying amount of the prepaid land lease payments as of December 31, 2018 as set forth in note 14 of the Accountants' Report of our Group included in Appendix IA to this prospectus.

(3) In order to ensure that the net book value and the market value of the properties are reconciled within the same scope, we exclude the below properties before reconciliation, the net book value of which is included in the Accountants' Report of our Group included in Appendix IA to this prospectus:

(i) Properties that are outside the scope for the market valuation conducted by Asia-Pacific Consulting and Appraisal Limited and are not included in the property valuation report as set out in Appendix III to this prospectus, mainly because the carrying amount of the properties of Jingyi Secondary School as of April 30, 2019 did not satisfy the requirement of Chapter 5 of the Listing Rules. The net book value of the properties comprised the net carrying amount of the properties and buildings, leasehold improvements and prepaid land lease payments of Jingyi Secondary School as of December 31, 2018 of approximately RMB14.4 million, RMB0.1 million and RMB5.4 million, respectively, which was included in the amount of the buildings and construction in process included in property, plant and equipment and the amount of prepaid land lease payments as set forth in the table above.

(ii) Allocated land without commercial value, whose market value is nil in the property valuation report as set out in Appendix III to this prospectus. For details of the allocated land, see the property valuation report as set out in Appendix III to this prospectus. The net book value of the allocated land without commercial value was included in the amount of prepaid land lease payments as set forth in the table above.

(iii) Buildings without commercial value due to the lack of title certificates and buildings above the allocated land, whose market value is nil in the property valuation report as set out in Appendix III to this prospectus. For details of such buildings, see the property valuation report as set out in Appendix III to this prospectus. The net book value of the buildings without commercial value due to the lack of title certificates and buildings above the allocated land was included in the amount of the buildings and construction in process included in property, plant and equipment as set forth in the table above.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report of our Group in Appendix IA to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our net tangible assets as of December 31, 2018 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2018 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 2018 as set out in the Accountants' Report included in Appendix IA to this prospectus, and adjusted as described below:

	Consolidated net tangible assets attributable to owners of the Company as of December 31, 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$ equivalent)*
Based on an Offer Price of HK$1.50 per Share	937,600	501,745	1,439,345	0.90	1.02
Based on an Offer Price of HK$1.92 per Share	937,600	645,138	1,582,738	0.99	1.13

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of December 31, 2018 is extracted from Appendix IA – Accountants' Report, which is based on the audited consolidated equity attributable to owners of our Company as of December 31, 2018 of approximately RMB1,065,466,000 less intangible assets as of December 31, 2018 of approximately RMB127,866,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.50 per Share or HK$1.92 per Share, after deduction of the underwriting fees and other related expenses payable by our Company (excluding approximately RMB27,177,000 which have been paid or become payable up to December 31, 2018) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8782 prevailing on the Latest Practicable Date published by the People's Bank of China ("PBOC") as set out in the section headed "Definitions" in this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,600,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8782 prevailing on the Latest Practicable Date published by the PBOC as set out in the section headed "Definitions" in this prospectus.

FUTURE PLANS

Please refer to "Business — Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$653.0 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$1.71 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$99.7 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$1.71 per Share.

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

- approximately 50.0%, or HK$326.5 million, is expected to be used primarily to acquire other schools to expand our school network. In particular, we prefer to acquire qualified undergraduate colleges and/or junior colleges, including private universities and independent colleges whose school sponsors have elected to be or intend to elect them to be for-profit private schools in central China, eastern China and southern China. According to Frost & Sullivan, the number of available suitable target schools in central China, eastern China and southern China is approximately 60 to 80, 120 to 150, and 60 to 80, respectively. We intend to give acquisition priority to schools that offer economics, management, engineering, arts and medicine majors, among others. We will also consider acquiring private undergraduate colleges and/or junior colleges that offer curriculums and education programs that complement those offered at our existing schools, which we believe will create additional business synergies within our school network in terms of resource sharing and student recruitment. As of the Latest Practicable Date, we had not identified any acquisition target;

- approximately 40.0%, or HK$261.2 million, is expected to be used primarily to expand our business, including establishing a new campus of College of Information and Business in Kaifeng, Henan province, and a new campus of Changzheng College in Hangzhou, Zhejiang province. See the section headed "Business — Expansion Plans" in this prospectus; and

- approximately 10.0%, or HK$65.3 million, is expected to be used to fund our working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/ or authorized financial institutions in Hong Kong.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK$734.6 million and HK$571.3 million. Under such circumstances, our intended use of proceeds will be increased or decreased on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$752.7 million, assuming an Offer Price of HK$1.71 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$93.9 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

HONG KONG UNDERWRITERS

Macquarie Capital Limited

Haitong International Securities Company Limited

BOCOM International Securities Limited

WE Securities Limited

Yuanyin Securities Limited

Sinomax Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 3, 2019. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly or jointly and severally to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Placing Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Hong Kong Underwriters) shall be entitled by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement or the International Placing Agreement; or

(ii) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iii) that any statement contained in any of this prospectus, the Application Forms, the application proof of this prospectus, the post-hearing information pack 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 or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading in any respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the application proof of this prospectus, the post-hearing information pack 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 or the Global Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(iv) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or omission from, any of this prospectus, the Application Forms, the application proof of this prospectus, the post-hearing information pack 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 or the Global Offering (including any supplement or amendment thereto); or

(v) any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Controlling Shareholders or the executive Directors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Placing Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Placing Agreement; or

(vi) any material adverse change or development involving a prospective material 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 our Group as a whole and/or any member of our Group which has a substantial business operation, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its absolute discretion; 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 or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted 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; or

(ix) any expert named in this prospectus (other than the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(b) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development, in local, national, regional or international, financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or the BVI, or any other jurisdiction relevant to any member of our Group (each a "Relevant Jurisdiction"); or

(ii) any new law or regulation or any change, development or announcement or publication involving a prospective change in existing law or regulations, or any change, development or announcement or publication involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) the imposition or declaration of:

(A) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or 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

(B) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, New York, London, the PRC, the European Union (or any member thereof), Japan, the Cayman Islands, the BVI or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(iv) a change or development involving a prospective change in 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 any Relevant Jurisdiction; or

(v) any litigation, or claim, or investigation or actions being announced, threatened or instigated against any Group company or the Controlling Shareholders or the executive Directors; or

(vi) a demand by any tax authority for payment for any tax liability for any member of our Group; or

(vii) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of or our Group taken as a whole and/or any member of the Group which has a substantial business operation; or

(viii) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(ix) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) Mr. Chen Yuguo vacating his office as the chairman or the chief executive officer of our Company; or

(xi) the commencement by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational ("Authority") of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any Director; or

(xii) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xv) 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 offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labor disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory Syndromes (SARS), H1N1 and H5N1 and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or

(xvii) any change or prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xviii) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xix) a demand by any creditor for repayment or payment of any of our Group's indebtedness prior to its stated maturity;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(i) has or will or may have or is likely to have a material adverse effect, whether directly or indirectly, 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

(ii) has or will or may have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing or dealings in the Offer Shares in the secondary market; or

(iii) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any material part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(iv) has or will or may have the effect of making any part of Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the "First Six-month Period") (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to (i) the Global Offering, (ii) any transfer of Shares pursuant to any exercise of the Over-allotment Option (if applicable), or (iii) the Stock Borrowing Agreement, he/it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the expiration date of the 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 those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-month Period expires (the "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 Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken as follows.

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) or the issue of options or Shares under the Share Option Scheme or the issue of Shares pursuant to the Capitalization Issue, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-month Period, we have undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Hong Kong Underwriters not to, and to procure each Group company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and 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 any mortgage, charge, pledge, lien, or other security interest or any option, restriction, right of first refusal, right of pre-emption, defect, or other third party claim, right, interest or preference or any other encumbrance of any kind ("Encumbrance") over, or agree to transfer or disposal 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 Group company, 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 other securities of our Company or any shares or other securities of such other Group company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group company, 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 Group company, 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 other securities of our Company or any shares or other securities of such Group company, as applicable);

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to, or agree to, or announce any intention to, effect any transaction specified in paragraphs (a), (b) or (c) above, or

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group company, as applicable, or in cash or otherwise (whether or not the allotment and issue of such Shares or other shares or securities of our Company or such shares or other securities of such other Group company, as applicable, will be completed within the First Six-month Period). In the event that, at any time during the Second Six-month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company. Each of the Controlling Shareholders and the executive Directors has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Undertakings by our Controlling Shareholders

Except for any transfer of Shares pursuant to the Stock Borrowing Agreement, each of our Controlling Shareholders has undertaken to our Company, each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and 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 shares or other securities of such other Group company, 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 other securities of our Company or any shares or other securities of such other Group company, as applicable), or deposit any Shares or other securities of our

Company or any shares or other securities of such other Group company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group company, 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 other securities of our Company or any shares or other securities of such other Group company, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above; or

(iv) offer to, or agree to, or announce any intention to, effect any transaction specified in paragraph (a)(i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group company, as applicable, or in cash or otherwise (whether or not the allotment and issue of such Shares or other securities of our Company or such shares or other securities of such other Group company, as applicable, will be completed within the First Six-month Period);

(b) he/she/it will not, at any time during the Second Six-month Period, enter into any of the transactions specified in paragraph (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, he/she/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 the Second Six-month period, in the event that he/she/it enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announce any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the Shares or other securities of our Company.

Indemnity

We have 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 by us of the Hong Kong Underwriting Agreement.

International Placing

In connection with the International Placing, it is expected that we will enter into the International Placing Agreement with the International Underwriters. Under the International Placing Agreement, subject to the conditions set forth in it, the International Underwriters would severally but not jointly or jointly and severally agree to procure purchasers for or failing which to purchase, the International Placing Shares. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option and stabilization

Under the International Placing Agreement, our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to 60,000,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price to, among other things, cover over-allocations in the International Placing, if any.

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Please refer to the section headed "Structure of the Global Offering — Stabilization" in this prospectus for details regarding stabilization and "Structure of the Global Offering — Over-allotment Option" for over-allocation.

Underwriting commissions and expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.8% of the Offer Price of the Public Offer Shares initially offered under the Hong Kong Public Offering out of which they will pay any sub-underwriting commission. The International Underwriters will receive an underwriting commission of 2.8% of the Offer Price of the International Placing Shares offered under the International Placing. In addition, we may pay a discretionary incentive fee of up to 0.5% of the Offer Price multiplied by the total number of Offer Shares (subject to the Over-allotment Option).

The aggregate commissions and fees, together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$62.0 million (assuming an Offer Price of HK$1.71, being the mid-point of the indicative offer price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Activities by syndicate members

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Placing, together referred to as "Syndicate Members", may individually undertake and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing, and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as an agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying assets, 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 of these activities may occur both during and after the end of the stabilizing period described under the section headed "Structure of the Global Offering – Stabilization" in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares' share price, and the extent to which this occurs from day to day cannot be estimated.

Underwriters' interests in our Group

Other than as disclosed in this prospectus, the obligations under the Hong Kong Underwriting Agreement and the International Placing Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(1) the Hong Kong Public Offering of 40,000,000 Public Offer Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described below in the paragraph headed "Hong Kong Public Offering" below; and

(2) the International Placing of an aggregate of 360,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option as mentioned below) to persons outside the United States (including to professional and institutional investors, corporate investors and other investors who we anticipate to have a sizable demand for the International Placing Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 40,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of the Public Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of 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 Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) up to the total value of pool B. Investors should be aware that the allocation ratios for applications in pool A and applications in pool B may be different. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purposes of this paragraph only, the "price" for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 20,000,000 Public Offer Shares, being the number of Public Offer Shares initially available under each pool, are liable to be rejected.

Reallocation and clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation.

In accordance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange (as amended or supplemented from time to time by the Stock Exchange), if the Offer Shares under the International Placing are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 120,000,000, 160,000,000 and 200,000,000 Offer 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). In such cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to pool A and pool B.

If (i) the Offer Shares under the International Placing are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100% or more, but less than 15 times, of the number of Public Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Placing are not fully subscribed, and if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100% or more of the number of Public Offer Shares initially available under the Hong Kong

Public Offering, the Sole Global Coordinator may, at its discretion, reallocate the Offer Shares initially allocated for the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that (i) the maximum number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall not be more than 80,000,000 Offer Shares, representing double the number of Public Offer Shares initially available under the Hong Kong Public Offering and (ii) the Offer Price shall be determined at the lower end of the Offer Price range in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.92 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK$1.92 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See the section headed "How to Apply for Public Offer Shares" in this prospectus.

INTERNATIONAL PLACING

Number of Offer Shares initially offered

We are initially offering 360,000,000 Offer Shares under the International Placing representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of Offer Shares between the International

Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being Thursday, July 11, 2019), to require us to allot and issue up to 60,000,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING ARRANGEMENT

To facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 60,000,000 Shares, representing 15% of the Offer Shares (being the maximum number of Offer Shares which may be offered upon exercise of the Over-allotment Option) initially being offered under the Global Offering, from Feng's Investment Holdings Limited to cover over-allocations through the stock borrowing arrangement under the Stock Borrowing Agreement, or acquire Shares from other sources.

If such stock borrowing arrangement with Feng's Investment Holdings Limited is entered into, it will only be effected by the Stabilizing Manager or its agent for settlement of over-allocations in the International Placing. The borrowing of Shares by the Stabilizing Manager pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules, which restricts the disposal of Shares by Feng's Investment Holdings Limited subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the requirements of Rule 10.07(3) of the Listing Rules:

(i) the Stock Borrowing Agreement is fully described in this prospectus and will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;

(ii) the maximum number of Shares which may be borrowed from Feng's Investment Holdings Limited must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Feng's Investment Holdings Limited or its nominees, as the case may be, on or before the third Business Day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares pursuant to the Stock Borrowing Arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payment will be made to Feng's Investment Holdings Limited by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilization price will not exceed the initial public offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than that the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be sold under the Over-allotment Option, namely, 60,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring International Placing Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purposes of the various offerings under the Global Offering is expected to be fixed on the Price Determination Date, which is expected to be on or around Tuesday, June 11, 2019, and in any event on or before Thursday, June 13, 2019, by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.92 per Offer Share and is expected to be not less than HK$1.50 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range to be inappropriate, the Sole Global Coordinator (for itself and on behalf of the

Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or before 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 June 11, 2019, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on our Company's website at **www.jheduchina.com** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Public Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global 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 the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the 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 number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus 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 set outside the Offer Price range as stated in this prospectus.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Allocation of the International Placing Shares under the International Placing will be determined by the Sole Global Coordinator 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. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Public Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. The allocation of the Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The applicable Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, the basis of allocations of the Public Offer Shares, and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Public Offer Shares – F. Publication of results" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme;

(2) the Offer Price having been duly agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(3) the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and

(4) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Placing Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Placing Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than July 4, 2019, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Thursday, June 13, 2019, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkex.com.hk** and our website at **www.jheduchina.com** on the next day following such lapse. In such case, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Public Offer Shares — I. Dispatch/Collection of Share certificates and refund monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) none of the Underwriting Agreements has been terminated in accordance with its terms.

Application for Listing on the Stock Exchange

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

A. APPLICATIONS FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Public 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.

Our Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); 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:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion, and on any conditions it thinks 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 Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participated in the International Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 4, 2019 until 12:00 noon on Tuesday, June 11, 2019 from:

(1) any of the following addresses of the Hong Kong Underwriters:

Macquarie Capital Limited	Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
WE Securities Limited	Unit 1604 16/F, Infinitus Plaza 199 Des Voeux Road Central Sheung Wan Hong Kong
Yuanyin Securities Limited	Room 2201 22/F, 238 Des Voeux Road Central Hong Kong
Sinomax Securities Limited	Room 2705-6 27/F, Tower One, Lippo Centre 89 Queensway Hong Kong

(2) any of the following branches of the following receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
Kowloon	Wong Tai Sin Branch	Shop G13 & G13A, G/F, Temple Mall South Wong Tai Sin, Kowloon
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon
New Territories	Citywalk Branch	Shop 65 & 67-69, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 4, 2019 until 12:00 noon on Tuesday, June 11, 2019 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 check or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — JH EDUCATIONAL TECHNOLOGY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, June 4, 2019 – 9:00 a.m. to 5:00 p.m.
- Wednesday, June 5, 2019 – 9:00 a.m. to 5:00 p.m.
- Thursday, June 6, 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, June 8, 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, June 10, 2019 – 9:00 a.m. to 5:00 p.m.
- Tuesday, June 11, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, June 11, 2019, the last application day or such later time as described in the section headed "– E. Effect of bad weather on the opening of the application lists" in this prospectus.

4. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the section headed "— 2. Who can apply for Public Offer Shares" in this prospectus, 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 at **www.eipo.com.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 4, 2019 until 11:30 a.m. on Tuesday, June 11, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, June 11, 2019 or such later time as described in the section headed "— E. Effects of bad weather on the opening of the applications lists" in this prospectus.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Public 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.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "JH Educational Technology INC." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies 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 the above 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 Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, 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 our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, the Hong Kong Share Registrar, the receiving bank and/or their 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our 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 giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance 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 our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public 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(1):

- Tuesday, June 4, 2019 – 9:00 a.m. to 8:30 p.m.

- Wednesday, June 5, 2019 – 8:00 a.m. to 8:30 p.m.

- Thursday, June 6, 2019 – 8:00 a.m. to 8:30 p.m.

- Saturday, June 8, 2019 – 8:00 a.m. to 1:00 p.m.
- Monday, June 10, 2019 – 8:00 a.m. to 8:30 p.m.
- Tuesday, June 11, 2019 – 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, June 4, 2019 until 12:00 noon on Tuesday, June 11, 2019 (24 hours daily, except on Tuesday, June 11, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, June 11, 2019, the last application day or such later time as described in the section headed "— E. Effect of bad weather on the opening of the application lists" in this prospectus.

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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, the Hong Kong Share Registrar, the receiving bank 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.

6. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **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).

B. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager, the Underwriters, the Hong Kong Share Registrar, the receiving bank and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "— Personal Collection" in this section to collect the Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) 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 (b) 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 Forms

You may refer to the **YELLOW** Application Form for details.

C. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** service is also only a facility provided 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. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Manager 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 Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon, Tuesday, June 11, 2019.

D. HOW MUCH ARE THE PUBLIC 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 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the **WHITE** or **YELLOW** Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and allocation" in this prospectus.

E. 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 Tuesday, June 11, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, June 11, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

F. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Public Offer Shares on Monday, June 17, 2019 on our Company's website at **www.jheduchina.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 our Company's website at **www.jheduchina.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, June 17, 2019;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, June 17, 2019 to 12:00 midnight on Sunday, June 23, 2019;

- by telephone enquiry line by calling (+852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, June 17, 2019 to Thursday, June 20, 2019; and

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, June 17, 2019 to Wednesday, June 19, 2019 at the designated branches of the receiving bank.

If our 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 Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

G. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or via the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public 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 our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications as described in the section headed "A. Applications for Public Offer Shares – 6. How many applications can you make" above;
- 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) Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Hong Kong Public Offering.

H. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.92 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the

Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, June 17, 2019.

I. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Monday, June 17, 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, June 18, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 17, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, June 17, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Monday, June 17, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, June 17, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS Investor Participant)**

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS Investor Participant**

  Our 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 the paragraph headed "— F. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 17, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Public Offer Shares or more, and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, June 17, 2019, or such other date as notified by our Company in the announcement published by our Company as the date of dispatch/ collection of Share certificates/e-Refund payment instructions/refund checks.

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 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, June 17, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, June 17, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 the paragraph headed "— F. Publication of results" in this section on Monday, June 17, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, June 17, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, June 17, 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the 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 Monday, June 17, 2019.

J. 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 incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
JH Educational Technology INC.

Macquarie Capital Limited

Dear Sirs,

We report on the historical financial information of JH Educational Technology INC. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-63, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and the statements of financial position of the Company as at 31 December 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 4 June 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and the financial position of the Company as at 31 December 2017 and 2018, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company since the date of its incorporation.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
4 June 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
Revenue	5	162,481	171,993	301,818
Cost of sales		(65,870)	(69,677)	(140,069)
Gross profit		96,611	102,316	161,749
Other income and gains	5	7,374	9,486	15,437
Selling and distribution expenses		(1,479)	(1,974)	(3,883)
Administrative expenses		(15,068)	(15,126)	(41,608)
Other expenses		(682)	(4,359)	(5,970)
Finance costs	6	(1)	(3)	(2,140)
Remeasurement gain of previously held equity interests in an acquiree	17	–	–	90,295
Share of profits of:				
Joint ventures	17	84,470	101,255	74,284
Associate		1	2	2
Profit before tax	7	171,226	191,597	288,166
Income tax expense	10	(33,821)	(986)	(1,310)
Profit for the year		137,405	190,611	286,856
Attributable to:				
Owners of the Company		96,532	122,005	156,046
Non-controlling interests		40,873	68,606	130,810
		137,405	190,611	286,856
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of financial statement		–	(3)	3
Total comprehensive income for the year		137,405	190,608	286,859
Attributable to:				
Owners of the Company		96,532	122,002	156,049
Non-controlling interests		40,873	68,606	130,810
		137,405	190,608	286,859
Earnings per share attributable to ordinary equity holders of the Company:				
Basic and diluted	12	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	318,171	319,167	936,818
Prepaid land lease payments	14	134,629	131,298	299,130
Goodwill	15	–	–	110,995
Other intangible assets	16	653	582	16,871
Prepayments for purchase of property, plant and equipment		6,920	6,920	8,553
Prepayment for acquisition of additional equity interests of a joint venture	17	–	120,000	–
Investments in joint ventures	17	559,576	660,831	–
Investment in an associate	18	597	599	–
Total non-current assets		1,020,546	1,239,397	1,372,367
CURRENT ASSETS				
Trade receivables	19	155	128	1,624
Tax recoverable		–	–	4,279
Prepayments, deposits and other receivables	20	5,599	6,031	30,402
Amounts due from shareholders	33(b)	63,716	108,021	3,884
Amount due from a related party	33(b)	–	20,003	–
Other current assets		528	617	574
Time deposits	21	40,824	122,098	284,336
Cash and cash equivalents	21	185,835	181,116	172,872
Total current assets		296,657	438,014	497,971
CURRENT LIABILITIES				
Other payables and accruals	22	53,335	72,197	109,333
Interest-bearing bank loans	24	1,000	–	89,000
Contract liabilities	5	90,682	97,274	259,203
Deferred income	23	949	1,071	1,653
Amount due to a shareholder	33(b)	–	–	516
Amount due to a related party	33(b)	88,773	255,111	–
Dividends payable		41,757	19,585	42,732
Tax payable		32,660	33,622	391
Total current liabilities		309,156	478,860	502,828
NET CURRENT LIABILITIES		(12,499)	(40,846)	(4,857)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,008,047	1,198,551	1,367,510

		As at 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Deferred income	*23*	11,208	10,983	14,336
Other liabilities		49	102	31
Total non-current liabilities		11,257	11,085	14,367
Net assets		996,790	1,187,466	1,353,143
EQUITY				
Equity attributable to owners of the Company				
Share capital	*26*	–	68	68
Reserves	*27*	769,911	586,010	1,065,398
		769,911	586,078	1,065,466
Non-controlling interests		226,879	601,388	287,677
Total equity		996,790	1,187,466	1,353,143

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company								
		Share capital	Capital reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000 (note 26)	*RMB'000 (note 27)*	*RMB'000 (note 27)*	*RMB'000 (note 27)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016		–	50,000	94,800	–	–	527,579	672,379	207,341	879,720
Profit and total comprehensive income for the year		–	–	–	–	–	96,532	96,532	40,873	137,405
Dividend paid to the non-controlling shareholder of a subsidiary	11	–	–	–	–	–	–	–	(21,335)	(21,335)
Transfer from retained profits		–	–	19,507	–	–	(19,507)	–	–	–
Capital contributions from the Controlling Parties (note 27(a))		–	1,000	–	–	–	–	1,000	–	1,000
As at 31 December 2016 and 1 January 2017		–	51,000	114,307	–	–	604,604	769,911	226,879	996,790
Exchange differences on translation of foreign operations		–	–	–	–	(3)	–	(3)	–	(3)
Profit and total comprehensive income for the year		–	–	–	–	–	122,005	122,005	68,606	190,611
Issue of shares	26	68	–	–	–	–	–	68	–	68
Transfers of equity interests from Controlling Parties to non-controlling shareholders (note 27(c))		–	–	–	(305,903)	–	–	(305,903)	305,903	–
Transfer from retained profits		–	–	11,263	–	–	(11,263)	–	–	–
As at 31 December 2017		68	51,000	125,570	(305,903)	(3)	715,346	586,078	601,388	1,187,466

	Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Capital reserve*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total		
		RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017 and 1 January 2018		68	51,000	125,570	(305,903)	(3)	715,346	586,078	601,388	1,187,466
Exchange differences on translation of foreign operations		–	–	–	–	3	–	3	–	3
Profit and total comprehensive income for the year		–	–	–	–	–	156,046	156,046	130,810	286,856
Deemed acquisition of non-controlling interests (note 27(c))		–	–	–	376,485	–	–	376,485	(376,485)	–
Dividend paid to shareholders		–	–	–	–	–	(53,100)	(53,100)	–	(53,100)
Dividend paid to the non-controlling shareholders of subsidiaries	11	–	–	–	–	–	–	–	(60,082)	(60,082)
Transfer from retained profits		–	–	45,715	–	–	(45,715)	–	–	–
Acquisition of non-controlling interests (note 27(b))		–	–	–	(46)	–	–	(46)	(7,954)	(8,000)
As at 31 December 2018		68	51,000	171,285	70,536	–	772,577	1,065,466	287,677	1,353,143

* These reserve accounts comprise the consolidated reserves of RMB769,911,000, RMB586,010,000 and RMB1,065,398,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		171,226	191,597	288,166
Adjustments for:				
Finance costs	6	1	3	2,140
Share of profits of joint ventures	17	(84,470)	(101,255)	(74,284)
Share of profits of an associate	18	(1)	(2)	(2)
Remeasurement gain of previously held equity interests in an acquiree	17	–	–	(90,295)
Bank interest income	5	(1,728)	(2,882)	(4,840)
Loss on disposal of items of property, plant and equipment, net	7	1	11	14
Loss on disposal of a joint venture	7	–	–	389
Loss on disposal of an associate	7	–	–	1
Government grants released	7	(3,411)	(4,227)	(5,855)
Depreciation	7	14,199	13,848	27,246
Amortisation of prepaid land lease payments	7	3,331	3,331	5,611
Amortisation of other intangible assets	7	115	111	3,878
Impairment of trade receivables	7	49	18	839
		99,312	100,553	153,008
Decrease/(increase) in other current assets		32	(89)	43
(Increase)/decrease in trade receivables		(136)	9	(598)
Decrease/(increase) in prepayments, deposits and other receivables		144	(432)	(20,499)
Increase/(decrease) in other payables and accruals		4,823	10,722	(11,274)
Increase in contract liabilities		4,839	6,592	159,295
Increase in government grants	23	4,898	4,124	4,504
Cash generated from operations		113,912	121,479	284,479
Interest received		1,728	2,882	4,840
Income tax paid		–	(24)	(38,820)
Net cash flows from operating activities		115,640	124,337	250,499
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(2,784)	(6,662)	(27,602)
Proceeds from disposal of items of property, plant and equipment		–	–	17
Increase in intangible assets	16	(59)	(40)	(672)
Increase in time deposits with original maturity of three months or more when acquired		(824)	(81,274)	(162,238)
Advances to a related party		–	(25,003)	(1,500)
Repayment of amounts due from a related party		–	5,000	21,503
Advances to shareholders		(19,408)	(55,393)	(24,323)
Repayment of amounts due from shareholders		6,122	26,586	34,061

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000
Proceeds from disposal of a joint venture and an associate		–	–	1,620
Acquisition of a subsidiary	29	–	–	(48,289)
Net cash flows used in investing activities		(16,953)	(136,786)	(207,423)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the Controlling Parties		1,000	–	–
Acquisition of non-controlling interests		–	–	(8,000)
Advances from related parties		172,301	285,908	12,629
Advances from a shareholder		–	–	516
Repayment of amounts due to related parties		(141,800)	(255,000)	(20,000)
Repayment of amounts due to shareholders		(13,246)	–	–
New bank loans		1,000	–	89,000
Repayment of bank loans		–	(1,000)	(105,000)
Dividend paid		–	–	(10,620)
Dividends paid to the non-controlling shareholder of a subsidiary		(1,594)	(22,172)	(7,708)
Interest paid		(1)	(3)	(2,140)
Net cash flows (used in)/from financing activities		17,660	7,733	(51,323)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		116,347	(4,716)	(8,247)
Cash and cash equivalents at beginning of year		69,488	185,835	181,116
Effect of foreign exchange rate changes, net		–	(3)	3
CASH AND CASH EQUIVALENTS AT END OF YEAR		185,835	181,116	172,872
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	35,281	9,248	90,703
Time deposits	21	191,378	293,966	366,505
Less:				
Time deposits with licenced banks with original maturity of more than three months when acquired	21	(40,824)	(122,098)	(284,336)
Cash and cash equivalents as stated in the consolidated statements of cash flows		185,835	181,116	172,872

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2017	2018
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary		9	320
Total non-current assets		9	320
CURRENT ASSETS			
Amounts due from shareholders	33(b)	65	68
Total current assets		65	68
CURRENT LIABILITIES			
Amounts due to a subsidiary	33(b)	8	343
Total current liabilities		8	343
NET CURRENT ASSETS/(LIABILITIES)		57	(275)
TOTAL ASSETS LESS CURRENT LIABILITIES		66	45
Net assets		66	45
EQUITY			
Share capital	26	68	68
Reserves		(2)	(23)
		66	45

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 June 2017. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were engaged in the provision of higher and secondary education services and the related management services (collectively the "Listing Businesses") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganization as more fully explained in the section headed "History and Corporate Structure" in the Prospectus. Apart from the Reorganization which was completed on 7 November 2018, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	*Indirect* %	
JH Education Technology Holdings Limited ("JH BVI") (note a)	British Virgin Islands 8 June 2018	US$50,000	100	–	Investment holding
JH Education Technology HK Limited ("JH HK") (note b)	Hong Kong 19 July 2017	HK$10,000	–	100	Investment holding
Jiaren Technologies, Inc., ("Jiaren US") (note c)	United States 27 August 2018	US$49,700	–	100	Investment holding
JX Educational Technology INC 寧波嘉信教育科技有限責任公司* ("Ningbo Jiaxin") (note c)	PRC/Mainland China 10 January 2018	US$2,000,000	–	100	Provision of technical and management consultancy services
XY Educational Technology INC 寧波新耀教育科技有限公司* ("Ningbo Xinyao") (note c)	PRC/Mainland China 14 September 2018	US$2,000,000	–	100	Provision of technical and management consultancy services
JH Holdings Group Company Limited 嘉宏控股集團有限公司* ("JH Holdings Group") (note d)	PRC/Mainland China 17 June 2003	RMB50,000,000	–	See note 2.1	Investment holding
Zhejiang Changzheng Vocational & Technical College 浙江長征職業技術學院* ("Changzheng College") (note d)	PRC/Mainland China 18 November 2005	RMB21,930,000	–	53.62	Provision of higher education services
Jingyi Secondary School 樂清市精益中學* (note d)	PRC/Mainland China 25 September 1997	RMB1,000,000	–	See note 2.1	Provision of secondary education services
Zhongyuan University of Technology College of Information and Business 中原工學院信息商務學院* ("College of Information and Business") (note d)	PRC/Mainland China December 2003	RMB10,000,000	–	100***	Provision of higher education service

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct *%*	*Indirect* *%*	
Wenzhou Jiaren Investment Company Limited 溫州嘉仁投資有限公司* ("Wenzhai Jiaren") (note d)	PRC/Mainland China 5 December 2007	RMB20,000,000	–	100**	Investment holding
Yueqing Jiahong Investment Company Limited 樂清嘉宏投資有限公司* ("Yueqing JH Investment") (note d)	PRC/Mainland China 26 May 2017	RMB9,000,000	–	100	Investment holding
Yueqing Jialuo Investment Company Limited 樂清嘉洛投資有限公司* ("Yueqing Jialuo") (note d)	PRC/Mainland China 26 May 2017	RMB5,000,000	–	100	Investment holding
Yueqing Jiazheng Investment Company Limited 樂清嘉正投資有限公司* ("Yueqing Jiazheng") (note c)	PRC/Mainland China 2 July 2018	RMB12,000,000	–	100	Investment holding
Yueqing Jiaxin Education and Training Center Company Limited 樂清嘉信教育培訓中心有限公司* ("Yueqing Jiaxin") (note c)	PRC/Mainland China 7 November 2018	RMB50,000	–	100	Provision of training services
Yueqing Jiasheng Investment Company Limited 樂清嘉勝投資有限公司* ("Yueqing Jiasheng") (note d)	PRC/Mainland China 26 May 2017	RMB5,000,000	–	100	Investment holding

Notes:

(a) No audited financial statements have been prepared as this company is incorporated in jurisdiction which does not have any statutory audit requirements.

(b) No audited financial statements have been prepared for this company during the Relevant Periods as it was newly incorporated in July 2017 without assessable profits generated.

(c) No audited financial statements have been prepared as these companies were newly incorporated in 2018.

(d) No audited financial statements have been prepared for these companies during the Relevant Periods as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation/registration.

* The English names of these companies or schools established in the PRC represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.

** On 12 April 2018, the Group acquired 40% equity interests in Wenzhou Jiaren, which became a wholly-owned subsidiary of the Group since then.

*** As further explained in notes 17 and 29, the Group obtained control over College of Information and Business on 5 July 2018.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Corporate Reorganization" under the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 7 November 2018.

Due to regulatory restrictions on foreign ownership in the private education industry in the PRC, the Listing Businesses were carried out by JH Holdings Group and Jingyi Secondary School (collectively, the

"PRC Operating Entities ") during the Relevant Periods. Pursuant to the Reorganization, Ningbo Jiaxin and Ningbo Xinyao (the "WFOEs"), the Company's wholly-owned subsidiaries, have entered into structured contracts with, among others, JH Holdings Group and Jingyi Secondary School's respective school sponsors (the "Structured Contracts"). The arrangements of the Structured Contracts enable the WFOEs to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the PRC Operating Entities are controlled by the Company based on the Structured Contracts though the Company does not have any direct or indirect equity interest in the PRC Operating Entities. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus.

The entities now comprising the Group, including the PRC Operating Entities, were under the common control of Mr. Chen Yuguo, Mr. Chen Yucao, Mr. Chen Yuchun, Mr. Chen Yutian, (collectively, the "Controlling Parties") before and after the Reorganization. Accordingly, for the purposes of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all entities now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Parties, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Parties' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Parties, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs, including IFRS 15 "Revenue from contracts with customers", amendments to IFRS 15 "Classification to IFRS 15 Revenue form contracts with customers" and IFRS 9 "Financial instruments", effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted and consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Group recorded net current liabilities of RMB4,857,000 as at 31 December 2018.

In view of the net current liabilities position, the management of the Group has given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the management of the Group are satisfied that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities of RMB100,000,000 in January 2019 from reputable financial institutions to meet its obligations as and when they fall due.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Historical Financial Information.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[5]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

5 Effective for business combination for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occur on or after the beginning of that period

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases - Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemption options for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments.

Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. As disclosed in note 30 to the Historical Financial Information, as at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB1,445,000. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. Other than the prepaid land lease payments of RMB307,048,000 recognised in the consolidated statement of financial position as at 31 December 2018, the Group has estimated that right-of-use assets of RMB1,445,000 and lease liabilities of RMB1,445,000 will be recognised at 1 January 2019. The directors anticipate that the initial adoption will not significantly affect the financial position and performance of the Group.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant financial impact on the Group's results and financial position.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements upon initial adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of the associate and joint ventures is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate or joint ventures is included as part of the Group's investments in an associate or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint ventures, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations other than those under common control goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.90%
Leasehold improvements	4.75%
Electronic equipment	11.88%
Motor vehicles	19.00%
Furniture, fixtures and others	9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least as at each financial year/period end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life. Useful lives of the computer software were assessed by the Group considering the purposes and usage of the software. The software served as basement IT system or teaching platform system is amortised over a period of 10 years.

Student base

The student base refers to College of Information and Business's registered and existing students, who will pay tuition fees and boarding fees until their education period is over. Consequently, student base through the acquisition of College of Information and Business is identified as an intangible asset and was initially measured at valuation. The student base is subsequently amortised on their education period basis of 3-4 years and deducted by any impairment losses.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets comprise financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL" or "ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, interest-bearing bank loans, dividends payable, amount due to a shareholder and amount due to a related party.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The Group recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the periods of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's schools is generally from September to August of the following year.

Tuition fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the applicable programme.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual arrangements

The PRC Operating Entities are mainly engaged in the provision of education services, which falls in the scope of "Catalog of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Entities and enjoys all the economic benefits of the PRC Operating Entities through the Structured Contracts.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold any direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the Structured Contracts. Accordingly, the PRC Operating Entities have been accounted for as subsidiaries during the Relevant Periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the Relevant Periods. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis as at the end of each financial year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB110,995,000 (2017: nil). Further details are given in note 15.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher and secondary education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

		Year ended 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Revenue				
Tuition fees		139,984	147,589	265,772
Boarding fees		15,535	15,935	26,589
Other education service fees	(i)	6,962	8,469	9,457
Total revenue from contracts with customers		162,481	171,993	301,818
Other income and gains				
Bank interest income		1,728	2,882	4,840
Rental income		1,979	1,700	4,159
Government grants	(ii)			
– related to expenses		2,547	3,278	4,516
– related to assets		864	949	1,339
Donation income		–	374	59
Others		256	303	524
		7,374	9,486	15,437

Notes:

(i) During the Relevant Periods, revenue from other education service mainly represents fees received for the provision of adult education services and training services to the students, which was amortised over the training periods of the services rendered.

(ii) Government grants are related to the subsidies received from local government for the purpose of compensating the operating expenses arising from the Group's teaching activities and expenditures on teaching facilities. There were no unfulfilled conditions or contingencies relating to these grants.

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2016, 2017 and 2018 and will be expected to be recognised within one year:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	77,873	81,245	227,897
Boarding fees	8,405	9,060	22,962
Other education service fees	4,404	6,969	8,344
Total contract liabilities	90,682	97,274	259,203

The Group receives tuition fees, boarding fees, other education service fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the periods of the applicable programme. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

The transaction price associated with unsatisfied or partially unsatisfied performance obligations does not include variable consideration that is constrained.

Significant changes in the contract liabilities balances during the Relevant Periods are as follows.

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	85,843	90,682	97,274
Revenue recognised that was included in the contract liability balance at the beginning of the year	(85,843)	(90,682)	(97,274)
Increases due to cash received, excluding amounts recognised as revenue during the year	90,682	97,274	259,203
At the end of the year	90,682	97,274	259,203

6. FINANCE COSTS

The Group's finance costs are interest on bank loans.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Employee benefit expense (excluding directors' remuneration) (note 8):				
Wages and salaries		40,477	41,618	67,692
Pension scheme contributions		6,212	6,065	9,748
Other welfare expenses		4,111	3,689	2,140
		50,800	51,372	79,580
Depreciation	13	14,199	13,848	27,246
Amortisation of prepaid land lease payments	14	3,331	3,331	5,611
Amortisation of other intangible assets*	16	115	111	3,878
Impairment of trade receivables***	19	49	18	839
Bank interest income**	5	(1,728)	(2,882)	(4,840)
Government grants				
– related to expenses**	5	(2,547)	(3,278)	(4,516)
– related to assets**	5	(864)	(949)	(1,339)
Loss on disposal of items of property, plant and equipment***		1	11	14
Loss on disposal of a joint venture***		–	–	389
Loss on disposal of an associate***		–	–	1
Listing expenses		–	–	21,133

* Amounts of RMB112,000, RMB108,000, and RMB3,863,000 were included in "Cost of Sales" and amounts of RMB3,000, RMB3,000, and RMB15,000 were included in "Administrative expenses" in profit or loss during the years ended 31 December 2016, 2017 and 2018 respectively.

** Included in "Other income and gains" in profit or loss.

*** Included in "Other expenses" in profit or loss.

8. DIRECTORS' REMUNERATION

Mr. Chen Yuguo (陳餘國) was appointed as an executive director and the chairman of the Company on 23 June 2017 and is also a chief executive of the Company. Mr. Chen Yunchun (陳餘春), Mr. Chen Shu (陳樹), Mr. Chen Nansun (陳南蓀) and Mr. Chen Lingfeng (陳淩峰) were appointed as executive directors on 3 November 2018. Ms. Zhang Xuli (張旭麗) was appointed as a non-executive director of the Company on 3 November 2018. Mr. Chen Danhua (陳丹華), Mr. Feng Nanshan (馮南山) and Mr. Wang Yuqing (王裕清) were appointed as independent non-executive directors of the Company on 3 November 2018.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors which has been recorded in the financial statements of the Group's subsidiaries is set out below:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	1,656	1,679	1,870
Pension scheme contributions	46	41	127
	1,702	1,720	1,997

(a) Independent non-executive directors

There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Chen Danhua	–	–	–
Feng Nanshan	–	–	–
Wang Yuqing	–	–	–
	–	–	–

(b) Executive directors, a non-executive director and the chief executive

2016

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Chen Yuguo (the chief executive)	–	918	23	941
Chen Yuchun	–	440	–	440
Chen Shu	–	207	14	221
Chen Nansun	–	91	9	100
Chen Lingfeng	–	–	–	–
	–	1,656	46	1,702
Non-executive director:				
Zhang Xuli	–	–	–	–
	–	1,656	46	1,702

2017

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Chen Yuguo (the chief executive)	–	931	24	955
Chen Yuchun	–	460	–	460
Chen Shu	–	208	15	223
Chen Nansun	–	80	2	82
Chen Lingfeng	–	–	–	–
	–	1,679	41	1,720
Non-executive director:				
Zhang Xuli	–	–	–	–
	–	1,679	41	1,720

2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:				
Chen Yuguo (the chief executive)	–	1,015	56	1,071
Chen Yuchun	–	460	–	460
Chen Shu	–	223	56	279
Chen Nansun	–	67	15	82
Chen Lingfeng	–	105	–	105
	–	1,870	127	1,997
Non-executive director:				
Zhang Xuli	–	–	–	–
	–	1,870	127	1,997

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 3, 3 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 2, 2 and 3 highest paid employees who are not a director of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	866	991	1,250
Pension scheme contributions	46	48	76
	912	1,039	1,326

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2016	2017	2018
Nil to HK$1,000,000	2	2	3

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group. None of the five highest paid employees waived any remuneration during the Relevant Periods.

10. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Relevant Periods and up to the date of this report, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, College of Information and Business, Changzheng College and Jingyi Secondary School did not pay corporate income tax for the income from the provision of formal educational services and had enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised by College of Information and Business, Changzheng College and Jingyi Secondary School for the income from the provision of formal educational services during the Relevant Periods.

The non-academic education services provided by the schools are subject to corporate income tax at a rate of 25%.

Except for College of Information and Business, Changzheng College and Jingyi Secondary School, all of the Group's subsidiaries established in the PRC were subject to corporate income tax at a rate of 25% during the Relevant Periods.

Corporate income tax of the Group has been provided at the applicable tax rate on the estimated taxable profits arising in Mainland China during the Relevant Periods. The major components of income tax expense of the Group are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– Mainland China	32,435	986	1,310
Deferred (note 25)	1,386	–	–
Total tax charge for the year	33,821	986	1,310

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	171,226	191,597	288,166
Tax at the statutory tax rate of 25%	42,807	47,899	72,042
Profits attributable to joint ventures and an associate	(21,118)	(25,314)	(18,572)
Income not subject to tax	(22,032)	(23,449)	(59,370)
Expenses not deductible for tax	369	1,173	1,155
Income tax of JH Holdings Group for profit distribution from Changzheng College	33,795	675	6,025
Tax losses and temporary differences not recognised	–	2	30
Tax charge at the Group's effective tax rate	33,821	986	1,310

The share of tax attributable to joint ventures and an associate amounting to RMB10,481, RMB5,957 and RMB183 as at 31 December 2016, 2017 and 2018 respectively, is included in "Share of profits and losses of joint ventures and an associate" in the consolidated statements of profit or loss and other comprehensive income.

Pursuant to the PRC Corporate Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2016, 2017 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2016, 2017 and 2018, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB332,347,000, RMB397,536,000 and RMB768,830,000, respectively.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends of RMB21,335,000, nil and RMB23,182,000 were declared by Changzheng College, a subsidiary of the Company, to a non-controlling shareholder during the years ended 31 December 2016, 2017 and 2018, respectively.

On 23 August 2018, dividends of RMB53,100,000 and RMB36,900,000 were declared to the Controlling Parties and the non-controlling shareholders of JH Holdings Group, respectively.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purposes of this report, is not considered meaningful due to the Reorganization and the presentation of the results of the Group for the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT
31 December 2016

	Property and buildings	Leasehold improvements	Electronic equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016:							
Cost	352,216	255	26,140	23,907	25,352	2,593	430,463
Accumulated depreciation	(55,780)	(98)	(16,466)	(13,235)	(15,234)	–	(100,813)
Net carrying amount	296,436	157	9,674	10,672	10,118	2,593	329,650
At 1 January 2016, net of accumulated depreciation	296,436	157	9,674	10,672	10,118	2,593	329,650
Additions	–	–	336	442	1,464	479	2,721
Disposals	–	–	(1)	–	–	–	(1)
Depreciation provided during the year (note 7)	(6,770)	(13)	(2,103)	(3,557)	(1,756)	–	(14,199)
At 31 December 2016, net of accumulated depreciation	289,666	144	7,906	7,557	9,826	3,072	318,171
At 31 December 2016							
Cost	352,216	255	26,455	24,349	26,804	3,072	433,151
Accumulated depreciation	(62,550)	(111)	(18,549)	(16,792)	(16,978)	–	(114,980)
Net carrying amount	289,666	144	7,906	7,557	9,826	3,072	318,171

31 December 2017

	Property and buildings	Leasehold improvements	Electronic equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017:							
Cost	352,216	255	26,455	24,349	26,804	3,072	433,151
Accumulated depreciation	(62,550)	(111)	(18,549)	(16,792)	(16,978)	–	(114,980)
Net carrying amount	289,666	144	7,906	7,557	9,826	3,072	318,171
At 1 January 2017, net of accumulated depreciation	289,666	144	7,906	7,557	9,826	3,072	318,171
Additions	1,791	–	1,154	–	830	11,080	14,855
Disposals	–	–	–	–	(11)	–	(11)
Depreciation provided during the year (note 7)	(6,782)	(11)	(1,842)	(3,436)	(1,777)	–	(13,848)
At 31 December 2017, net of accumulated depreciation	284,675	133	7,218	4,121	8,868	14,152	319,167
At 31 December 2017							
Cost	354,007	255	27,606	24,349	27,530	14,152	447,899
Accumulated depreciation	(69,332)	(122)	(20,388)	(20,228)	(18,662)	–	(128,732)
Net carrying amount	284,675	133	7,218	4,121	8,868	14,152	319,167

31 December 2018

	Property and buildings	Leasehold improvements	Electronic equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018:							
Cost	354,007	255	27,606	24,349	27,530	14,152	447,899
Accumulated depreciation	(69,332)	(122)	(20,388)	(20,228)	(18,662)	–	(128,732)
Net carrying amount	284,675	133	7,218	4,121	8,868	14,152	319,167
At 1 January 2018, net of accumulated depreciation	284,675	133	7,218	4,121	8,868	14,152	319,167
Additions	–	2,970	1,055	3,991	1,007	10,291	19,314
Acquisition of a subsidiary (note 29)	460,140	66,994	67,557	741	30,182	–	625,614
Disposals	–	–	–	(31)	–	–	(31)
Depreciation provided during the year (note 7)	(11,897)	(2,308)	(6,497)	(2,290)	(4,254)	–	(27,246)
At 31 December 2018, net of accumulated depreciation	732,918	67,789	69,333	6,532	35,803	24,443	936,818
At 31 December 2018							
Cost	814,147	70,219	96,218	28,461	58,719	24,443	1,092,207
Accumulated depreciation	(81,229)	(2,430)	(26,885)	(21,929)	(22,916)	–	(155,389)
Net carrying amount	732,918	67,789	69,333	6,532	35,803	24,443	936,818

As at 31 December 2016, 2017 and 2018, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with aggregate net carrying amounts of approximately RMB70,929,000, RMB69,179,000 and RMB67,428,000, respectively.

14. PREPAID LAND LEASE PAYMENTS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	141,291	137,960	134,629
Acquisition of a subsidiary (note 29)	–	–	178,030
Recognized during the year	(3,331)	(3,331)	(5,611)
Carrying amount at end of year	137,960	134,629	307,048
Current portion included in prepayments, deposits and other receivables (note 20)	(3,331)	(3,331)	(7,918)
Non-current portion	134,629	131,298	299,130

15. GOODWILL

	RMB'000
Cost at 1 January 2018, net of accumulated impairment	–
Acquisition of a subsidiary (note 29)	110,995
Cost and net carrying amount at 31 December 2018	110,995
At 31 December 2018	
Cost	110,995
Accumulated impairment	–
Net carrying amount	110,995

Impairment testing of goodwill

The recoverable amount of the College of Information and Business as a cash-generating unit ("CGU") has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2018
Revenue growth (% annual growth rate)	3%-6.9%
Gross margins (% of revenue)	50%
Long term growth rate	3%
Pre-tax discount rate	20%

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rates – The pre-tax discount rates used are before tax and reflect specific risks relating to the College of Information and Business.

The values assigned to the key assumptions on market development of the College of Information and Business and discount rates are consistent with external information sources.

The most key assumption on which management has based its determination of Goodwill's recoverable amount is budgeted sales amounts, which are dependent on the number of students and unit tuition and boarding fees.

The management has estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount of the CGU then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the CGU, would still exceed its carrying amount.

The management performed impairment testing for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The management did not identify any significant adverse changes in the operating results and macro environment as at 31 December 2018. No impairment loss was noted as at 31 December 2018.

As of 31 December 2018, the sensitivity on the key assumptions which are the most sensitive in the calculation of recoverable amount (i.e. value in use) and the headroom on the impairment of the goodwill is set forth below:

	Recoverable Amount	Carrying Amount of Goodwill	Carrying Amount of Other Net Assets Subject to the CGU	Carrying Amount of the CGU	Headroom
College of Information and Business CGU	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Base case	1,334,000	110,995	995,760	1,106,755	227,245
Long term revenue growth rate increased by 3%	1,481,000	110,995	995,760	1,106,755	374,245
Long term revenue growth rate decreased by 3%	1,231,000	110,995	995,760	1,106,755	124,245
Discount rate increased by 3%	1,206,000	110,995	995,760	1,106,755	99,245
Discount rate decreased by 3%	1,516,000	110,995	995,760	1,106,755	409,245

16. OTHER INTANGIBLE ASSETS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Software			
Carrying amount at beginning of year	709	653	582
Addition	59	40	672
Acquisition of a subsidiary (note 29)	–	–	4,495
Amortisation provided during the year	(115)	(111)	(392)
Carrying amount at end of year, net of accumulated amortisation	653	582	5,357
At end of year			
Cost	1,475	1,515	6,682
Accumulated amortisation	(822)	(933)	(1,325)
Net carrying amount	653	582	5,357

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Student Base			
Carrying amount at beginning of year	–	–	–
Acquisition of a subsidiary (note 29)	–	–	15,000
Amortisation provided during the year	–	–	(3,486)
Carrying amount at end of year, net of accumulated amortisation	–	–	11,514
At end of year			
Cost	–	–	15,000
Accumulated amortisation	–	–	(3,486)
Net carrying amount	–	–	11,514

17. INVESTMENTS IN JOINT VENTURES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	559,576	660,831	–

Particulars of the Group's material joint venture are as follows:

Name	Particulars of registered capitals	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Zhongyuan University of Technology College of Information and Business 中原工學院信息商務學院 (" College of Information and Business")	RMB10,000,000	PRC/ Mainland China	65%	56%	65%*	Provision of higher education service

College of Information and Business was established in December 2003 in Henan Province, the PRC and was a joint venture of the Group accounted for using equity method.

* In 2006, the Group entered into a cooperation arrangement with Zhongyuan University of Technology ("Zhongyuan University") (the "Cooperation Arrangement"). Pursuant to the Cooperation Arrangement, College of Information and Business had two campuses, namely, the main campus and the north campus. Zhongyuan University owned all the fixed assets of the north campus and received the entirety of its school income (school revenue of the north campus less its operating costs), which constitutes the co-operation costs of College of Information and Business. With respect to the main campus, the Group and Zhongyuan University held 65% and 35% school capital contributor's interests. Pursuant to the Cooperation Arrangement, Zhongyuan University is entitled to share 35% of the main campus school income (being school revenue of the main campus less its operating costs) which has been distributed to Zhongyuan University and the remaining school income is shared by the Group and was still retained in College of Information and Business. Pursuant to the Cooperation Arrangement, once the related 35% of the main campus school income is distributed to Zhongyuan University, Zhongyuan University is no longer eligible to share the net assets of College of Information and Business.

On 28 March 2017, the Group entered into an agreement with Zhongyuan University to terminate the Cooperation Arrangement and transform College of Information and Business from an independent college to a private higher education institution, subject to the final approval of the Ministry of Education of the PRC (supplemented on 12 June 2018). Pursuant to such agreement, the Group agreed to purchase the 35% school capital contributor's interest in College of Information and Business held by Zhongyuan University at a consideration of RMB240,000,000, of which, RMB120,000,000, has been prepaid by College of Information and Business on behalf of the Group in 2017 and the remaining RMB120,000,000 was settled in October 2018.

On 5 July 2018, amendment of College of Information and Business's articles of association came into effect officially. JH Holdings Group can solely control the daily operations of College of Information and Business, so management believes that JH Holdings Group has obtained control over College of Information and Business since 5 July 2018. Accordingly, the previously held equity interests in College of Information and Business were remeasured at fair value on that day at RMB824,000,000, which resulting remeasurement gain of RMB90,295,000 recognised in profit or loss for the year ended 31 December 2018 (2017 and 2016: nil).

The following table illustrates the summarised financial information in respect of College of Information and Business adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	105,522	57,355	–
Other current assets	160,304	272,887	–
Current assets	265,826	330,242	–
Non-current assets	514,143	617,174	–
Financial liabilities, excluding trade and other payables and provisions	(26,372)	(75,239)	–
Other current liabilities	(192,231)	(207,516)	–
Current liabilities	(218,603)	(282,755)	–
Non-current financial liabilities, excluding trade and other payables and provisions	(3)	(3)	–
Other non-current liabilities	(3,209)	(5,263)	–
Non-current liabilities	(3,212)	(5,266)	–
Net assets	558,154	659,395	–

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation to the Group's interest in the joint venture:			
Proportion of the Group's ownership	65%	65%	–
Group's share of net assets of the joint venture and carrying amount of the investment	558,154	659,395	–

	Year ended 31 December		Period from 1 January to 5 July
	2016	**2017**	**2018***
	RMB'000	*RMB'000*	*RMB'000*
Revenue	248,531	261,079	148,510
Interest income	389	592	112
Depreciation and amortisation	(20,567)	(25,549)	(15,917)
Interest expenses	–	–	(794)
Profit and total comprehensive income for the year	121,609	119,737	74,310

* The amounts represents the profit or loss of College of Information and Business for the period form 1 January 2018 to 5 July 2018 (immediately before the Group obtaining control over this investee).

The following table illustrates the financial information of the Group's insignificant joint venture that is not individually material:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Share of the joint venture's profits/(losses) for the year	41	14	(26)
Aggregate carrying amount of the Group's investment in the joint venture	1,422	1,436	–

During the years ended 31 December 2016 and 2017, the Group held 51% equity interest in Wenzhou Zhengda Rectifier Co., Ltd. ("Wenzhou Zhengda"). Management of the Group considered that the Group and the other shareholders jointly controlled Wenzhou Zhengda and it is therefore classified as an investment in joint venture. On 9 April 2018, the Group disposed of its investment in Wenzhou Zhengda to another shareholder of Wenzhou Zhengda at a cash consideration of RMB1,020,000 and recognised a loss on disposal of RMB389,000.

18. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	597	599	–

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	596	597	599
Disposal (note(a))	–	–	(601)
Share of profits	1	2	2
At the end of the year	597	599	–

(a) During the years ended 31 December 2016 and 2017, the Group held 20% equity interest in Wenzhou Dexin Electric Co., Ltd. The management of the Group considered that the Group had significant influence over Wenzhou Dexin Electric Co., Ltd. and it was therefore classified as an investment in an associate. On 9 April 2018, the Group disposed of its investment in the associate to the controlling shareholder of Wenzhou Dexin Electric Co., Ltd. at a cash consideration of RMB600,000 and recognised a loss on disposal of RMB1,000.

Set out below is the details of the associate of the Group as of 31 December 2016 and 2017.

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group			Principal activities
			Year 2016	Year 2017	Year 2018	
Wenzhou Dexin Electric Co., Ltd. 溫州德信電器有限公司	Ordinary shares	PRC/ Mainland China	20%	20%	N/A	Manufacture of switch control equipment

19. TRADE RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Tuition and boarding fees receivables	519	510	2,845
Impairment	(364)	(382)	(1,221)
	155	128	1,624

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. Trade receivables represent amounts related to students whose families were in financial difficulties. The delayed payments are repayable on demand. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions, is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	94	64	688
1 to 2 years	61	41	122
2 to 3 years		23	336
More than 3 years	–	–	478
	155	128	1,624

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk and days past due of the trade receivables in measuring the expected credit losses. During the Relevant Periods, the expected credit losses rate are determined as follows:

		As at 31 December					
Days past due	Expected credit loss rate	2016 Estimated total gross carrying amount at default	2016 Expected credit losses	2017 Estimated total gross carrying amount at default	2017 Expected credit losses	2018 Estimated total gross carrying amount at default	2018 Expected credit losses
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Not past due	0	150	–	124	–	1,593	–
<1 year	90	49	44	37	33	313	282
≥1 year	100	320	320	349	349	939	939
		519	364	510	382	2,845	1,221

There was no change in the ECL rates during the Relevant Periods, as no significant changes in the historical default rates of trade receivables, economic conditions and performance, and behaviour of the students were noted, based on which the ECL rates are determined.

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	315	364	382
Provision for expected credit losses	49	18	839
At end of year	364	382	1,221

The individually impaired trade receivables relate to students that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 31 December		
	Note	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Prepaid north campus co-operation costs to Zhongyuan University		–	–	11,644
Prepaid land lease payments to be amortised within one year	*14*	3,331	3,331	7,918
Prepaid listing expenses		–	–	6,044
Other tax receivables		–	–	680
Prepaid expenses		558	460	926
Rental receivables		717	519	704
Interest receivables		639	815	1,056
Staff advances		78	53	328
Other receivables		276	853	1,102
		5,599	6,031	30,402

As at 31 December 2018, the provisions for impairment of financial assets included in prepayments, deposits and other receivables above were assessed to be immaterial based on 12-month ECL. These financial assets included in the above balances relate to receivables for which there was no recent history of default and neither past due nor impaired.

The financial assets included in prepayments, deposits and other receivables above are interest-free and are not secured with collateral.

21. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	35,281	9,248	90,703
Time deposits	191,378	293,966	366,505
	226,659	303,214	457,208
Less:			
Time deposits with original maturity of more than three months when acquired	(40,824)	(122,098)	(284,336)
Cash and cash equivalents	185,835	181,116	172,872

As at 31 December 2018, the provisions for impairment of cash and cash equivalents and time deposits were assessed to be immaterial based on 12-month ECL.

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Payables for salaries and welfares	24,248	24,361	40,719
Other tax payables	3,374	8,675	6,689
Miscellaneous advances received from students	9,882	12,714	16,377
Receipt on behalf of ancillary services providers	–	–	5,448
Payables for acquisition of prepaid land lease payments	4,691	4,691	4,691
Payables for listing expenses	–	–	4,173
Payables for accommodation service	3,681	3,681	3,681
Payables for textbooks	361	434	513
Payables for purchase of property, plant and equipment	200	8,340	1,603
Other payables	6,898	9,301	25,439
	53,335	72,197	109,333

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of each of the Relevant Periods approximated to their fair values due to their short-term maturities.

23. DEFERRED INCOME

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
At beginning of year	10,670	12,157	12,054
Additions during the year	4,898	4,124	4,504
Acquisition of a subsidiary (note 29)	–	–	5,286
Released to profit or loss (note 5)	(3,411)	(4,227)	(5,855)
At the end of year	12,157	12,054	15,989
Current	949	1,071	1,653
Non-current	11,208	10,983	14,336
	12,157	12,054	15,989

Deferred income represents the government grants received for subsidies in connection with the construction of certain fixed assets and compensation for future cost or expense. The grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

24. INTEREST-BEARING BANK LOANS

	As at 31 December 2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank loan – unsecured	4.6	2017	1,000

	As at 31 December 2018		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank loan – unsecured	4.6	2019	50,000
Bank loan – unsecured	7.2	2019	39,000
			89,000

25. DEFERRED TAX

The movements in deferred tax assets, without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

	Losses available for offsetting against future taxable profits
	RMB'000
At 1 January 2016	1,386
Deferred tax charged to profit or loss during the year ended 31 December 2016	(1,386)
Deferred tax assets at 31 December 2016, 2017 and 2018	–

Deferred tax have not been recognised in respect of the following items:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	–	2	30

The above tax losses are available in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

26. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 June 2017 with authorised share capital of US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each. At the time of incorporation, the issued share capital of the Company was US$1.00, with one share of US$1.00 held by Sertus Nominees (Cayman) Limited, an independent third party. On the same date, the said one share was transferred to Cao's Investment Holdings Limited for a consideration at par value and the Company issued and allotted a total of 9,999 Shares to Guo's Investment Holdings Limited, Shu's Investment Holdings Limited, Feng's Investment Holdings Limited, Cao's Investment Holdings Limited, Chun's Investment Holdings Limited, CNS Investment Holdings Limited and ZXL Investment Holdings Limited. Following such share transfer and subscription, the share capital of the Company amounted to US$10,000, equivalent to approximately RMB68,000.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information. The relevant notes to certain movements of the Group's equity during the Relevant Periods are included below:

(a) On 17 August 2016, capital contributions amounting to RMB450,000, RMB250,000, RMB150,000 and RMB150,000 were injected to Yueqing Jingyi Secondary School ("Jingyi Secondary School") by Chen Yuguo, Chen Yucao, Chen Yuchun and Chen Yutian, respectively.

(b) On 12 April 2018, the Group acquired 40% equity interests in Wenzhou Jiaren Investment Company Limited ("Wenzhou Jiaren") from the non-controlling shareholders at a consideration of RMB8,000,000. Upon completion of the acquisition, Wenzhou Jiaren became a wholly-owned subsidiary of the Group.

(c) The equity interests in the Company held by persons other than the Controlling Parties (as defined in note 2.1) were deemed to be recognised as non-controlling interests until completion of the Reorganization when the equity interests held by persons other than the Controlling Parties were deemed to be acquired by the Company with the corresponding amount transferred to nil consideration and the entire balance of non-controlling interests have been transferred to the other reserve by applying the principles of merger accounting.

Capital reserve

The capital reserve of the Group represents the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries. The additions during the Relevant Periods represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries.

Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) statutory surplus reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools, and for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net increase of net assets of the relevant schools, as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling interests:			
Changzheng College	46.38%	46.38%	46.38%
Profit for the year allocated to non-controlling interests:			
Changzheng College	40,873	43,502	48,433
Dividends paid to non-controlling interests of Changzheng College	21,335	–	23,182
Accumulated balances of non-controlling interests at the reporting date:			
Changzheng College	218,925	262,427	287,677

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue	150,827	158,818	164,491
Other income and gains	7,356	9,476	12,073
Total expenses	(70,056)	(74,499)	(74,841)
Profit for the year	88,127	93,795	101,723
Total comprehensive income for the year	88,127	93,795	101,723

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current assets	226,402	314,155	383,798
Non-current assets	432,531	431,883	432,566
Current liabilities	175,651	171,833	188,197
Non-current liabilities	11,257	8,385	7,906

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	251,343	111,884	121,840
Net cash flows used in investing activities	(3,488)	(86,103)	(184,071)
Net cash flows used in financing activities	(135,774)	(25,874)	(24,135)
Net increase/(decrease) in cash and cash equivalents	112,081	(93)	(86,366)

29. BUSINESS COMBINATION

The Group has obtained control over the College of Information and Business since 5 July 2018. Further details are included in note 17.

The fair values of the identifiable assets and liabilities of College of Information and Business as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
		RMB'000
Property, plant and equipment	*13*	625,614
Prepaid land lease payments	*14*	178,030
Other intangible assets	*16*	19,495
Prepayments for purchase of property, plant and equipment		155
Trade receivables		1,737
Prepayments, deposits and other receivables		1,160
Amounts due from related parties		254,740
Cash and cash equivalents		71,711
Contract liabilities		(2,428)
Other payables and accruals		(47,804)
Interest-bearing bank loans		(105,000)
Dividends payable		(293)
Amount due to Zhongyuan University		(11,877)
Amounts due to related parties		(26,946)
Deferred income		(5,286)
Other liabilities		(3)
Total identifiable net assets at fair value		953,005
Goodwill on acquisition	15	110,995
Total		1,064,000
Satisfied by		
Cash		240,000
Investment in a joint venture		824,000
		1,064,000

The fair values of the trade receivables as at the date of acquisition amounted to RMB1,737,000. The gross contractual amounts of trade receivables were RMB2,845,000, of which RMB1,221,000 are expected to be uncollectible.

No incurred transaction costs were incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid in 2018	(120,000)
Cash and bank balances acquired	71,711
Net outflow of cash and cash equivalents included in cash flows from investing activities	(48,289)

Since the acquisition, College of Information and Business contributed RMB125,305,000 to the Group's revenue and RMB48,976,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2018 would have been RMB450,328,000 and RMB286,856,000, respectively.

30. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases certain of its building units under operating lease arrangements. Leases for buildings were negotiated for terms of one to ten years. As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,410	1,631	2,216
After one year but within five years	965	2,061	994
	2,375	3,692	3,210

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated in terms of three years.

As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	–	579
After one year but within five years	–	–	866
	–	–	1,445

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Acquisition of additional equity interests of a joint venture (note 17)	–	120,000	–
Donation*	–	–	6,000
	–	120,000	6,000

* On 9 April 2018, the board of Changzheng College made a resolution to donate RMB6,000,000 to Zhejiang Committee of the Revolutionary Committee of the Chinese Kuomintang for its newly founded public foundation.

32. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

On 5 July 2018, since the acquisition of the College of Information and Business, JH Holdings Group obtained an amount due to a related party of RMB19,946,000, which was offset with an amount due from a shareholder of the Group.

On 23 August 2018, JH Holdings Group declared dividends of RMB90,000,000 to its shareholders of which RMB72,000,000 were settled by offsetting amounts due from the shareholders.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2016	Interest-bearing bank loan	Amount due to a shareholder	Amount due to a related party	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	–	13,246	10,842	22,016	46,104
Dividends declared	–	–	–	21,335	21,335
Changes from financing cash flows	1,000	(13,246)	30,501	(1,594)	16,661
Additions of property, plant and equipment paid by a related party	–	–	47,430	–	47,430
As at 31 December 2016	1,000	–	88,773	41,757	131,530

Year ended 31 December 2017	Interest-bearing bank loan	Amounts due to a related party	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2017	1,000	88,773	41,757	131,530
Dividends declared	–	–	–	–
Changes from financing cash flows	(1,000)	30,908	(22,172)	7,736
Prepayment for purchase of a shareholding in a joint venture	–	120,000	–	120,000
Additions of property, plant and equipment paid by a related party	–	15,430	–	15,430
As at 31 December 2017	–	255,111	19,585	274,696

Year ended 31 December 2018	Interest-bearing bank loan	Amount due to a shareholder	Amounts due to a related party	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	–	–	255,111	19,585	274,696
Dividends declared	–	–	–	113,182	113,182
Changes from financing cash flows	(16,000)	516	(7,371)	(18,328)	(41,183)
Net settlement (note 32(a))	–	–	(19,946)	(72,000)	(91,946)
Increase arising from acquisition of a subsidiary	105,000	–	26,946	293	132,239
Decrease arising from acquisition of a subsidiary	–	–	(254,740)	–	(254,740)
As at 31 December 2018	89,000	516	–	42,732	132,248

33. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Names and relationships of related parties

Name	Relationship
Chen Yuguo 陳餘國	One of the Controlling Parties
Chen Yuchun 陳餘春	One of the Controlling Parties
Chen Lingfeng 陳淩峰	Close family member of one of the Controlling Parties
Chen Shu 陳澍	Close family member of one of the Controlling Parties
Zhang Xuli 張旭麗	Close family member of one of the Controlling Parties
Chen Nansun 陳楠蓀	Close family member of one of the Controlling Parties
Zhao Xiaojun 趙曉俊	Close family member of one of the Controlling Parties
Wenzhou Jia Jia Network Technology Co., Ltd. 嘉嘉網路科技有限公司 ("Wenzhou Jia Jia")	Company controlled by Zhao Xiaojun
Guo's Investment Holdings Limited	Company controlled by Chen Yuguo
Shu's Investment Holdings Limited	Company controlled by Chen Shu
Feng's Investment Holdings Limited	Company controlled by Chen Lingfeng
Cao's Investment Holdings Limited	Company controlled by Chen Yucao
Chun's Investment Holdings Limited	Company controlled by Chen Yuchun
CNS Investment Holdings Limited	Company controlled by Chen Nanshu
ZXL Investment Holdings Limited	Company controlled by Zhang Xuli
College of Information and Business	Joint venture (before 5 July 2018)
Wang Qijun 王其軍	Key management personnel
Du Baoshan 杜寶山	Key management personnel
Zhang Ledi 張樂弟	Key management personnel

(b) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances with its related parties as at 31 December 2016, 2017 and 2018 as follows:

Amounts due from shareholders

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Chen Yuguo	29,016	91,653	3,816
Chen Yuchun	13,500	13,500	–
Chen Nansun	–	2,800	–
Chen Lingfeng	11,500	–	–
Chen Shu	9,700	–	–
Guo's Investment Holdings Limited	–	22	22
Shu's Investment Holdings Limited	–	12	12
Feng's Investment Holdings Limited	–	12	12
Cao's Investment Holdings Limited	–	5	5
Chun's Investment Holdings Limited	–	7	7
CNS Investment Holdings Limited	–	3	3
ZXL Investment Holdings Limited	–	7	7
	63,716	108,021	3,884

Company

	As at 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Guo's Investment Holdings Limited	21	22
Shu's Investment Holdings Limited	12	12
Feng's Investment Holdings Limited	12	12
Cao's Investment Holdings Limited	5	5
Chun's Investment Holdings Limited	7	7
CNS Investment Holdings Limited	3	3
ZXL Investment Holdings Limited	5	7
	65	68

Amount due from a related party

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Wenzhou Jia Jia	–	20,003	–

The Group had the maximum amount outstanding during the Relevant Periods as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Chen Yuguo	29,016	91,653	94,493
Chen Yuchun	13,500	13,500	13,500
Chen Nansun	–	2,800	2,800
Zhang Xuli	3,000	–	–
Chen Lingfeng	11,500	11,500	–
Chen Shu	9,700	9,700	–
Guo's Investment Holdings Limited	–	22	22
Shu's Investment Holdings Limited	–	12	12
Feng's Investment Holdings Limited	–	12	12
Cao's Investment Holdings Limited	–	5	5
Chun's Investment Holdings Limited	–	7	7
CNS Investment Holdings Limited	–	3	3
ZXL Investment Holdings Limited	–	7	7
Wenzhou Jiajia	–	25,003	20,003

Amount due to a shareholder

Group

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Chen Shu	–	–	516

Amount due to a related party, a then joint venture

Group

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
College of Information and Business	88,773	255,111	–

Company

	As at 31 December	
	2017	2018
	RMB'000	*RMB'000*
JH HK	8	–
JH BVI	–	343
	8	343

The outstanding balances with shareholders and related parties above are unsecured, interest-free, repayable on demand and non-trade in nature.

(c) Compensation of key management personnel of the Group

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,736	3,000	3,516
Pension contributions	116	131	318
	2,852	3,131	3,834

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Trade receivables	155	128	1,624
Financial assets included in prepayments, deposits and other receivables	1,632	2,187	3,542
Amounts due from shareholders	63,716	108,021	3,884
Amount due from a related party	–	20,003	–
Time deposits	40,824	122,098	284,336
Cash and cash equivalents	185,835	181,116	172,872
	292,162	433,553	466,258

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Financial liabilities included in other payables and accruals	24,734	38,170	60,937
Interest-bearing bank loans	1,000	–	89,000
Amount due to a related party	88,773	255,111	–
Amount due to a shareholder	–	–	516
Dividend payables	41,757	19,585	42,732
Other liabilities	49	102	31
	156,313	312,968	193,216

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, amounts due from shareholders, amount due from a related party, other payables and accruals, amount due to a shareholder, amount due to a related party and dividends payable, which arise directly from its operations and fund transfer.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with a floating interest rate. The interest rate and terms of repayments of the loan are disclosed in note 24. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each of the Relevant Periods and assumed that the amount outstanding at the end of each of the Relevant Periods 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 December 2016, 2017 and 2018 would decrease/increase by RMB3,699, RMB548 and RMB87,356 respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowing with variable rates.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group has no concentration of credit risk from third party debtors. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from shareholders and amount due from a related party.

As of 31 December 2016, 2017 and 2018, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk.

All of the trade and other receivables, amounts due from shareholders and amount due from a related party have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial positions, credit history of failure to make payments on their contractually due dates, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Relevant Periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable.

As at 31 December 2016, 2017 and 2018, credit rating of other receivables, amounts due from shareholders and an amount due from a related party had been performed by the Group. The Group assessed that the expected credit losses for these receivables, amounts due from shareholders and an amount due from related party are not material under the 12 months' expected losses method. Thus, no loss allowance provision was recognised during the Relevant Periods.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds from related parties.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on contractual undiscounted payments, was as follows:

	As at 31 December 2016			
	On demand	**Within 1 year**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	24,734	–	24,734	24,734
Interest-bearing bank loan	–	1,005	1,005	1,005
Amount due to a related party	88,773	–	88,773	88,773
Dividends payable	41,757	–	41,757	41,757
Other liabilities	49	–	49	49
	155,313	1,005	156,318	156,318

	As at 31 December 2017			
	On demand	**Within 1 year**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	38,170	–	38,170	38,170
Amount due to a related party	255,111	–	255,111	255,111
Dividends payable	19,585	–	19,585	19,585
Other liabilities	102	–	102	102
	312,968	–	312,968	312,968

	As at 31 December 2018			
	On demand	**Within 1 year**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	60,937	–	60,937	60,937
Interest-bearing bank loans	–	93,243	93,243	93,243
Amount due to a shareholder	516	–	516	516
Dividends payable	42,732	–	42,732	42,732
Other liabilities	31	–	31	31
	104,216	93,243	197,459	197,459

Capital 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	320,413	489,945	517,195
Total assets	1,317,203	1,677,411	1,870,338
Debt-to-asset ratios	24%	29%	28%

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Zhongyuan University of Technology College of Information and Business

Macquarie Capital Limited

Dear Sirs,

We report on the historical financial information of Zhongyuan University of Technology College of Information and Business (the "College") set out on pages IB-4 to IB-41, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the College for each of the years ended 31 December 2016, 2017 and for the period from 1 January 2018 to 5 July 2018 (the "Relevant Periods"), and the statements of financial position of the College as at 31 December 2016, 2017 and 5 July 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-41 forms an integral part of this report, which has been prepared for inclusion in the prospectus of JH Educational Technology INC. dated 4 June 2019 (the "Prospectus") in connection with the initial listing of the shares of JH Educational Technology INC. on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the College are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the College as at 31 December 2016, 2017 and 5 July 2018 and of the financial performance and cash flows of the College for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the College which comprises profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2017 to 5 July 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the College are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the College in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
4 June 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the College for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2016	Year ended 31 December 2017	Period from 1 January to 5 July 2017	Period from 1 January to 5 July 2018
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	248,531	261,079	143,854	148,510
Cost of sales		(112,754)	(125,934)	(63,299)	(67,077)
Gross profit		135,777	135,145	80,555	81,433
Other income and gains	5	2,015	2,781	1,197	1,600
Selling and distribution expenses		(2,633)	(2,613)	(1,522)	(1,035)
Administrative expenses		(13,138)	(14,903)	(6,915)	(6,894)
Other expenses		(412)	(673)	(121)	–
Finance costs	6	–	–	–	(794)
PROFIT BEFORE TAX	7	121,609	119,737	73,194	74,310
Income tax expense	10	–	–	–	–
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		121,609	119,737	73,194	74,310
Earnings per share attributable to equity holders of the College:					
Basic and diluted	12	N/A	N/A	N/A	N/A

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	As at 5 July 2018
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	470,554	572,811	560,297
Prepaid land lease payments	14	39,563	38,556	38,040
Other intangible assets	15	481	4,612	4,495
Prepayments for purchase of property, plant and equipment		3,545	1,195	155
Total non-current assets		514,143	617,174	602,987
CURRENT ASSETS				
Trade receivables	16	1,443	1,441	1,737
Prepayments, deposits and other receivables	17	4,996	5,561	2,167
Amounts due from related parties	27	153,865	265,885	254,740
Cash and cash equivalents	18	105,522	57,355	71,711
Total current assets		265,826	330,242	330,355
CURRENT LIABILITIES				
Contract liabilities	5	146,016	150,327	2,428
Other payables and accruals	19	46,056	56,647	47,804
Deferred income	20	159	542	542
Interest-bearing bank loans	21	–	–	105,000
Dividends payable		–	293	293
Amounts due to related parties	27	26,372	74,946	38,823
Total current liabilities		218,603	282,755	194,890
NET CURRENT ASSETS		47,223	47,487	135,465
TOTAL ASSETS LESS CURRENT LIABILITIES		561,366	664,661	738,452
NON-CURRENT LIABILITIES				
Deferred income	20	3,209	5,263	4,744
Other liabilities		3	3	3
Total non-current liabilities		3,212	5,266	4,747
Net assets		558,154	659,395	733,705
EQUITY				
Equity attributable to owners of the college				
Paid-in capital	22	10,000	10,000	10,000
Reserves	23	548,154	649,395	723,705
Total equity		558,154	659,395	733,705

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the College				
	Paid-in capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 23)*	*RMB'000*	*RMB'000*
As at 1 January 2016	10,000	157,133	126,380	180,212	473,725
Profit and total comprehensive income for the year	–	–	–	121,609	121,609
Dividends paid (note 11)	–	–	–	(37,180)	(37,180)
Transfer from retained profits	–	–	30,402	(30,402)	–
As at 31 December 2016 and 1 January 2017	10,000	157,133	156,782	234,239	558,154
Profit and total comprehensive income for the year	–	–	–	119,737	119,737
Dividends paid (note 11)	–	–	–	(18,496)	(18,496)
Transfer from retained profits	–	–	29,934	(29,934)	–
As at 31 December 2017 and 1 January 2018	10,000	157,133	186,716	305,546	659,395
Profit and total comprehensive income for the period	–	–	–	74,310	74,310
As at 5 July 2018	10,000	157,133	186,716	379,856	733,705
As at 1 January 2017	10,000	157,133	156,782	234,239	558,154
Profit and total comprehensive income for the period (Unaudited)	–	–	–	73,194	73,194
Dividends paid (Unaudited) (note 11)	–	–	–	(18,496)	(18,496)
As at 5 July 2017	10,000	157,133	156,782	288,937	612,852

* These reserve accounts comprise reserves of RMB548,154,000, RMB649,395,000 and RMB723,705,000 in the statements of financial position as at 31 December 2016, 2017 and 5 July 2018, respectively.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016	Year ended 31 December 2017	Period from 1 January to 5 July 2017	Period from 1 January to 5 July 2018
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		121,609	119,737	73,194	74,310
Adjustments for:					
Finance costs	6	–	–	–	794
Bank interest income	5	(389)	(592)	(298)	(116)
Loss on disposal of items of property, plant and equipment	7	–	121	121	–
Government grants released	7	(177)	(712)	(342)	(751)
Depreciation	7	19,487	24,230	10,886	15,135
Amortisation of prepaid land lease payments	7	1,007	1,007	516	516
Amortisation of other intangible assets	7	73	312	64	267
Impairment /(reversal of impairment) of trade receivables	7	411	552	(4)	(9)
		142,021	144,655	84,137	90,146
Increase in trade receivables		(116)	(550)	(133)	(287)
Decrease/(increase) in prepayments, deposits and other receivables		998	(565)	402	3,396
Increase/(decrease) in other payables and accruals		6,569	5,562	(1,501)	(3,007)
Increase/(decrease) in contract liabilities		9,668	4,311	(143,321)	(147,899)
Decrease in amounts due from related parties		9,051	11,719	13,917	9,735
Increase in amounts due to related parties		–	–	7,319	12,916
Increase in deferred income	20	1,334	3,149	2,784	232
Cash generated from/(used in) operations		169,525	168,281	(36,396)	(34,768)
Interest received		389	592	298	114
Net cash flows from/(used in) operating activities		169,914	168,873	(36,098)	(34,654)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(46,166)	(106,729)	(34,918)	(7,417)
Purchases of items of intangible assets	15	(3)	(4,443)	(1,802)	(150)
Advances to related parties		(202,276)	(386,484)	(120,000)	(99,629)
Repayment of amounts due from related parties		141,800	227,000	90,000	100,000
Net cash flows used in investing activities		(106,645)	(270,656)	(66,720)	(7,196)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of amounts due to related parties		–	(34,000)	(28,000)	(48,000)
Advances from related parties		–	89,000	28,000	–
New bank loans		50,000	125,000	100,000	125,000
Repayment of bank loans		(50,000)	(125,000)	(60,000)	(20,000)
Dividends paid		(17,772)	–	–	–
Interest paid		(704)	(1,384)	(334)	(794)

	Note	Year ended 31 December 2016	Year ended 31 December 2017	Period from 1 January to 5 July 2017	Period from 1 January to 5 July 2018
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net cash flows (used in)/from financing activities		(18,476)	53,616	39,666	56,206
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		44,793	(48,167)	(63,152)	14,356
Cash and cash equivalents at beginning of year/period		60,729	105,522	105,522	57,355
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD		105,522	57,355	42,370	71,711
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	*18*	105,522	57,355	42,370	71,711

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Zhongyuan University of Technology College of Information and Business (the "College") was established in 2004 as an independent college operating in full-time general undergraduate education services under the Law for Promotion of Private Education. The registered address of the College is No. 2, Shuanghu Avenue, Longhu Town, Xinzheng City, Henan Province, the People's Republic of China ("the PRC").

During the Relevant Periods, the College was principally engaged in rendering private higher education services in the PRC.

On 28 March 2017, JH Holdings Group entered into an agreement with Zhongyuan University of Technology to terminate the Cooperation Arrangement and transform the College from an independent college to a private higher education institution, subject to the final approval of the Ministry of Education of the PRC (supplemented on 12 June 2018). Pursuant to such agreement, JH Holdings Group agreed to purchase the 35% school capital contributor's interest in the College held by Zhongyuan University of Technology at a consideration of RMB240,000,000, of which, RMB120,000,000, has been prepaid by the College on behalf of JH Holdings Group in 2017 and the remaining RMB120,000,000 was settled in October 2018.

On 5 July 2018, amendment of the College's articles of association came into effect officially. JH Holdings Group solely control the daily operations of the College, so management believes that JH Holdings Group has obtained control over the College since 5 July 2018.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs, including IFRS 15 "Revenue from contracts with customers", amendments to IFRS 15 "Classification to IFRS 15 Revenue form contracts with customers" and IFRS 9 "Financial instruments", effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted and consistently applied by the College in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The College has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[5]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements 2015-2017 Cycle	*IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

[5] Effective for business combination for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occur on or after the beginning of that period

The College expected that the adoption of the above IFRSs would not have any material financial impact on the College's financial position or financial performance.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made as at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the College if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the College;

(ii) has significant influence over the College; or

(iii) is a member of the key management personnel of the College or of a parent of the College;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the College are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the College are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the College or an entity related to the College;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the College or to the parent of the College.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the College. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The College uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the College determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the College recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.90%
Leasehold improvements	4.75%
Electronic equipment	11.88%
Motor vehicles	19.00%
Furniture, fixtures and others	9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least as at each financial year/period end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life. Useful lives of the computer software were assessed by the College considering the purposes and usage of the software. The software served as basement IT system or teaching platform system is amortised over a period of 10 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the College is the lessor, assets leased by the College under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the College is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the College's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the College has applied the practical expedient, the College initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the College has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The College's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the College commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The College's financial assets comprise financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The College measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the College's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The College has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the College has transferred substantially all the risks and rewards of the asset, or (b) the College has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the College has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the College continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the College also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the College has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the College could be required to repay.

Impairment of financial assets

The College recognises an allowance for expected credit losses ("ECL" or "ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the College expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the College applies a simplified approach in calculating ECLs. Under the simplified approach, the College does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The College has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The College may also consider a financial asset to be in default when internal or external information indicates that the College is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the College. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The College's financial liabilities include other payables and accruals, interest-bearing bank loans, dividends payable, amounts due to related parties and other liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the College 's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the College operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the College has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the College has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the College transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the College performs under the contract.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the College expects to be entitled in exchange for those services. Specifically, the College uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The College recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The College recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the College expects to earn within one year. The academic year of the College is generally from September to August of the following year.

Tuition fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the applicable programme.

The College does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the College does not adjust any of the transaction prices for the time value of money.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the College which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The College is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Dividend distribution to the College's shareholders is recognised as a liability in the College's financial statements in the period in which the dividends are approved by the College's shareholders or directors, where appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make Judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The College assesses whether there are any indicators of impairment for all non-financial assets as at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the College has to consider various factors, such as expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the College with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the Relevant Periods. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The College is principally engaged in the provision of higher education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the College that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the chief operating decision makers of the College for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the College as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the College operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the College during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		Period from 1 January to 5 July	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue				
Tuition fees	229,290	240,601	132,950	137,436
Boarding fees	19,241	20,478	10,904	11,074
	248,531	261,079	143,854	148,510
Other income and gains				
Bank interest income	389	592	298	116
Rental income	972	1,198	432	670
Government grants*				
– related to assets	55	247	88	271
– related to expenses	122	465	254	480
Others	477	279	125	63
	2,015	2,781	1,197	1,600

* Government grants are related to the subsidies received from local government for the purpose of compensating the operating expenses arising from the College's teaching activities and expenditures on teaching facilities. There were no unfulfilled conditions or contingencies relating to these grants.

The College recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2016, 2017 and 5 July 2018 and will be expected to be recognised within one year:

	As at 31 December		As at 5 July
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	132,840	137,059	180
Boarding fees	13,176	13,268	2,248
Total contract liabilities	146,016	150,327	2,428

The College receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

The transaction price associated with unsatisfied or partially unsatisfied performance obligations does not include variable consideration that is constrained.

Significant changes in the contract liabilities balances during the Relevant Periods are as follows:

	Year ended 31 December		Period from 1 January to 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year/period	136,348	146,016	150,327
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	(136,348)	(146,016)	(148,509)
Increases due to cash received, excluding amounts recognised as revenue during the year/period	146,016	150,327	610
At the end of the year/period	146,016	150,327	2,428

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Period from 1 January to 5 July	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings	704	1,384	334	794
Less: Interest capitalised (note 13(b))	(704)	(1,384)	(334)	–
	–	–	–	794

7. PROFIT BEFORE TAX

The College's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		Period from 1 January to 5 July	
		2016	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee benefit expense (excluding directors' remuneration) (note 8):					
Wages and salaries		42,400	48,808	24,002	25,750
Pension scheme contributions		6,810	7,194	3,386	4,146
Other welfare expenses		924	1,166	197	215
		50,134	57,168	27,585	30,111
Depreciation	13	19,487	24,230	10,886	15,135
Amortisation of prepaid land lease payments	14	1,007	1,007	516	516
Amortisation of intangible assets*	15	73	312	64	267
Impairment/(reversal of impairment) of trade receivables***	16	411	552	(4)	(9)
Bank interest income**	5	(389)	(592)	(298)	(116)
Government grants released:					
Related to assets**	5	(55)	(247)	(88)	(271)
Related to expenses**	5	(122)	(465)	(254)	(480)
Loss on disposal of items of property, plant and equipment***		–	121	121	–

* Included in "Cost of sales" in profit or loss.

** Included in "Other income and gains" in profit or loss.

*** Included in "Other expenses" in profit or loss.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Chen Yuguo (陳餘國) was appointed as a director and the chairman of the College on 1 October 2006 and is also a chief executive of the College. Mr. Chen Yunchun (陳餘春), Mr. Chen Yucao (陳餘曹) and Mr. Cui Shizhong (崔世忠) were appointed as directors on 1 October 2006. Mr. Liu Dengyi (劉登義) and Mr. Zou Meitang (鄒美唐) were appointed as directors on 1 August 2008. Mr. Huang Qian (黃乾), Mr. Guo Zhengrang (郭正讓) and Mr. Wang Zongmin (王宗敏) were appointed as directors on 1 May 2011, 1 May 2017 and 1 September 2017, respectively. No independent non-executive director was appointed during the Relevant Periods.

The remuneration of each of these directors which has been recorded in the financial statements of the College is set out below:

	Year ended 31 December		Period from 1 January to 5 July	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	594	570	279	279
Other emoluments:				
Salaries, allowances and benefits in kind	75	87	39	50
Pension scheme contributions	12	13	6	14
	681	670	324	343

Executive directors

2016

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors:				
Chen Yuguo	205	–	–	205
Chen Yuchun	–	–	–	–
Chen Yucao	–	–	–	–
Cui Shizhong	–	–	–	–
Wang Zongmin	–	–	–	–
Guo Zhengrang	–	–	–	–
Huang Qian	206	–	–	206
Liu Dengyi	183	–	–	183
Zou Meitang	–	75	12	87
	594	75	12	681

2017

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors:				
Chen Yuguo	184	–	–	184
Chen Yuchun	–	–	–	–
Chen Yucao	–	–	–	–
Cui Shizhong	–	–	–	–
Wang Zongmin	–	–	–	–
Guo Zhengrang	–	–	–	–
Huang Qian	214	–	–	214
Liu Dengyi	172	–	–	172
Zou Meitang	–	87	13	100
	570	87	13	670

Period from 1 January to 5 July 2017 (Unaudited)	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors:				
Chen Yuguo	90	–	–	90
Chen Yuchun	–	–	–	–
Chen Yucao	–	–	–	–
Cui Shizhong	–	–	–	–
Wang Zongmin	–	–	–	–
Guo Zhengrang	–	–	–	–
Huang Qian	105	–	–	105
Liu Dengyi	84	–	–	84
Zou Meitang	–	39	6	45
	279	39	6	324

Period from 1 January to 5 July 2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors:				
Chen Yuguo	90	–	–	90
Chen Yuchun	–	–	–	–
Chen Yucao	–	–	–	–
Cui Shizhong	–	–	–	–
Wang Zongmin	–	–	–	–
Guo Zhengrang	–	–	–	–
Huang Qian	105	–	–	105
Liu Dengyi	84	–	–	84
Zou Meitang	–	50	14	64
	279	50	14	343

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and for the period from 1 January to 5 July 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and for the period from 1 January to 5 July 2017 included 3, 3, 3 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 2, 2, 2 and 2 highest paid employees who are not a director of the College during the Relevant Periods and for the period from 1 January to 5 July 2017 are as follows:

	Year ended 31 December		Period from 1 January to 5 July	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	326	357	162	163
Pension scheme contributions	24	25	12	13
	350	382	174	176

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Period from 1 January to 5 July	
	2016	**2017**	**2017**	**2018**
			(Unaudited)	
Nil to HK$1,000,000	2	2	2	2

During the Relevant Periods and for the period from 1 January to 5 July 2017, no emoluments were paid by the College to the five highest paid employees as an inducement to join or upon joining the College. None of the five highest paid employees have waived any remuneration during the Relevant Periods and for the period from 1 January to 5 July 2017.

10. INCOME TAX

According to the Implementation Rules for the Law for Promoting Private Education, private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom, the College has historically enjoyed a preferential tax treatment since its establishment.

Based on the confirmations from the local tax bureau and the local office of the State Administration of Taxation of Henan Province, there is no corporate income tax imposed on the income from the provision of formal educational services of the College. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Relevant Periods.

The non-academic education services provided by the College are subject to corporate income tax at a rate of 25%. The College did not provide such services during the Relevant Period and accordingly, no provision for corporate income tax was made.

11. DIVIDENDS

Dividends of RMB37,180,385, RMB18,496,081, RMB18,496,081 and nil were declared by the College to Zhongyuan University of Technology ("Zhongyuan University"), one of the shareholders of the College, during the years ended 31 December 2016, 2017 and the periods from 1 January 2017 to 5 July 2017 and 1 January 2018 to 5 July 2018, respectively.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COLLEGE

Earnings per share information is not presented as its inclusion, for the purposes of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2016

	Property and buildings	Leasehold improvements	Electronic equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016:							
Cost	374,567	68,264	39,720	1,076	39,246	2,773	525,646
Accumulated depreciation	(34,435)	(22,387)	(17,076)	(850)	(16,494)	–	(91,242)
Net carrying amount	340,132	45,877	22,644	226	22,752	2,773	434,404
At 1 January 2016, net of accumulated depreciation	340,132	45,877	22,644	226	22,752	2,773	434,404
Additions	–	4,665	12,938	43	13,204	24,787	55,637
Transfers	16,690	–	–	–	–	(16,690)	–
Depreciation provided during the year (note 7)	(7,249)	(3,324)	(4,662)	(51)	(4,201)	–	(19,487)
At 31 December 2016, net of accumulated depreciation	349,573	47,218	30,920	218	31,755	10,870	470,554
At 31 December 2016							
Cost	391,257	72,929	52,658	1,119	52,450	10,870	581,283
Accumulated depreciation	(41,684)	(25,711)	(21,738)	(901)	(20,695)	–	(110,729)
Net carrying amount	349,573	47,218	30,920	218	31,755	10,870	470,554

31 December 2017

	Property and buildings	Leasehold improvements	Electronic equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017:							
Cost	391,257	72,929	52,658	1,119	52,450	10,870	581,283
Accumulated depreciation	(41,684)	(25,711)	(21,738)	(901)	(20,695)	–	(110,729)
Net carrying amount	349,573	47,218	30,920	218	31,755	10,870	470,554
At 1 January 2017, net of accumulated depreciation	349,573	47,218	30,920	218	31,755	10,870	470,554
Additions	–	2,722	49,296	761	5,429	68,400	126,608
Transfers	57,407	21,863	–	–	–	(79,270)	–
Disposals	–	–	(121)	–	–	–	(121)
Depreciation provided during the year (note 7)	(7,779)	(3,864)	(7,469)	(132)	(4,986)	–	(24,230)
At 31 December 2017, net of accumulated depreciation	399,201	67,939	72,626	847	32,198	–	572,811
At 31 December 2017							
Cost	448,664	97,514	100,453	1,880	57,879	–	706,390
Accumulated depreciation	(49,463)	(29,575)	(27,827)	(1,033)	(25,681)	–	(133,579)
Net carrying amount	399,201	67,939	72,626	847	32,198	–	572,811

5 July 2018

	Property and buildings	Leasehold improvements	Electronic equipment	Motor vehicles	Furniture, fixtures and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018:						
Cost	448,664	97,514	100,453	1,880	57,879	706,390
Accumulated depreciation	(49,463)	(29,575)	(27,827)	(1,033)	(25,681)	(133,579)
Net carrying amount	399,201	67,939	72,626	847	32,198	572,811
At 1 January 2018, net of accumulated depreciation	399,201	67,939	72,626	847	32,198	572,811
Additions	–	1,461	448	–	712	2,621
Depreciation provided during the period (note 7)	(4,378)	(2,406)	(5,517)	(106)	(2,728)	(15,135)
At 5 July 2018, net of accumulated depreciation	394,823	66,994	67,557	741	30,182	560,297
At 5 July 2018						
Cost	448,664	98,975	100,901	1,880	58,591	709,011
Accumulated depreciation	(53,841)	(31,981)	(33,344)	(1,139)	(28,409)	(148,714)
Net carrying amount	394,823	66,994	67,557	741	30,182	560,297

(a) As at 31 December 2016, 2017 and 5 July 2018, the College was in the customary process of obtaining the relevant property ownership certificates for certain buildings with aggregate net carrying amounts of approximately RMB30,632,000, RMB86,820,000 and RMB84,253,000, respectively. The College's buildings can only be sold, transferred or mortgaged when the relevant certificates have been obtained.

(b) Additions to construction in progress during the years ended 31 December 2016, 2017 and the period from 1 January 2018 to 5 July 2018 included interest capitalised in respect of certain bank loans borrowed generally amounting to RMB203,000, RMB2,106,000 and nil, respectively (note 6), and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 100%, 100% and 0%, respectively.

14. PREPAID LAND LEASE PAYMENTS

	Note	As at 31 December 2016	As at 31 December 2017	As at 5 July 2018
		RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period		41,577	40,570	39,563
Recognized during the year/period		(1,007)	(1,007)	(516)
Carrying amount at end of year/period		40,570	39,563	39,047
Current portion included in prepayments, deposits and other receivables	17	(1,007)	(1,007)	(1,007)
Non-current portion		39,563	38,556	38,040

15. OTHER INTANGIBLE ASSETS

	As at 31 December 2016	As at 31 December 2017	As at 5 July 2018
	RMB'000	RMB'000	RMB'000
Software			
Carrying amount at beginning of year/period, net of accumulated amortisation	551	481	4,612
Additions	3	4,443	150
Amortisation provided during the year/period	(73)	(312)	(267)
Carrying amount at end of year/period, net of accumulated amortisation	481	4,612	4,495
At end of year/period			
Cost	728	5,171	5,321
Accumulated amortisation	(247)	(559)	(826)
Net carrying amount	481	4,612	4,495

16. TRADE RECEIVABLES

	As at 31 December 2016	As at 31 December 2017	As at 5 July 2018
	RMB'000	RMB'000	RMB'000
Tuition fee and boarding fee receivables	1,965	2,515	2,802
Impairment	(522)	(1,074)	(1,065)
	1,443	1,441	1,737

The College's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. Trade receivables represent amounts related to students whose families were in financial difficulties. Delayed payments are repayable on demand. The College seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the College's trade receivables relate to a number of individual students, there is no significant concentration of credit risk. The College does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions, is as follows:

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	430	584	905
1 to 2 years	471	380	354
2 to 3 years	542	238	240
Over 3 years	–	239	238
	1,443	1,441	1,737

The College applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The College considers the credit risk and days past due of the trade receivables in measuring the expected credit losses. During the Relevant Periods, the expected credit losses rate are determined as follows:

		As at 31 December				As at 5 July	
		2016	2016	2017	2017	2018	2018
Days past due	Expected credit loss rate	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Not past due	0	1,398	–	1,385	–	1,681	–
<1 year	90	444	399	563	507	562	506
≥1 year	100	123	123	567	567	559	559
		1,965	522	2,515	1,074	2,802	1,065

There was no change in the ECL rates during the Relevant Periods, as no significant changes in the historical default rates of trade receivables, economic conditions and performance, and behaviour of the students were noted, based on which the ECL rates are determined.

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year/period	111	522	1,074
Provision/(reversal) for expected credit losses	411	552	(9)
At end of year/period	522	1,074	1,065

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 31 December		As at 5 July
		2016	2017	2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid land lease payments	*14*	1,007	1,007	1,007
Advances to staff and third parties		3,323	3,056	677
Rental receivables		483	1,341	432
Prepaid expenses		183	157	51
		4,996	5,561	2,167

As at 5 July 2018, the provisions for impairment of financial assets included in above were assessed to be immaterial based on 12-month ECL.

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances at the end of each of the Relevant Periods.

At the end of each of the Relevant Periods, all the cash and bank balances of the College were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the College is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Payables for salary and welfares	17,732	18,485	19,997
Other tax payable	4,066	6,409	6,968
Receipt on behalf of ancillary services providers	6,096	8,448	5,548
Payables for purchase of property, plant and equipment	3,855	8,885	3,049
Miscellaneous advances received from students	3,919	3,156	1,070
Accrued expenses	1,027	1,057	802
Other payables	9,361	10,207	10,370
	46,056	56,647	47,804

The above balances are unsecured and non-interest bearing. The carrying amounts of other payables and accruals as at the end of each of the Relevant Periods approximated to their fair values due to their short term maturities.

20. DEFERRED INCOME

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Government grants			
At beginning of year/period	2,211	3,368	5,805
Additions during the year/period	1,334	3,149	232
Released to profit or loss (note 7)	(177)	(712)	(751)
At end of year/period	3,368	5,805	5,286
Current	159	542	542
Non-current	3,209	5,263	4,744
	3,368	5,805	5,286

Deferred income represents the government grants received for subsidies in connection with the construction of certain fixed assets and compensation for cost or expense incurred. The grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

21. INTEREST-BEARING BANK LOANS

	As at 5 July 2018		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – unsecured	6.2-7.2	2018-2019	105,000

	As at 5 July 2018
	RMB'000
Analyzed into:	
Bank loans repayable:	
Within one year or on demand	105,000

22. PAID-IN CAPITAL

The movements of registered capital and paid-in capital are as follows:

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At beginning and end of year/period	10,000	10,000	10,000

23. RESERVES

The amounts of the College's reserves and the movements therein for the Relevant Periods and for the period from 1 January 2017 to 5 July 2017 are presented in the statements of changes in equity of the Historical Financial Information.

Capital reserve

The capital reserve of the College represents the capital contributions from the shareholders.

Statutory surplus reserves

According to the relevant PRC laws and regulations, for private schools that do not require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net increase of net assets of the relevant schools, as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

24. OPERATING LEASE ARRANGEMENTS

As lessor

The College leases certain of its properties under operating lease arrangements, with rentals negotiated for 5% of the lessee's revenue and lease terms of one year.

At the end of each of the Relevant Periods, future minimum rentals receivable under non-cancelable operating leases were contingent.

25. COMMITMENTS

At the end of each of the Relevant Periods, the College did not have any significant commitments.

26. NOTE TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities during the Relevant Periods are as follows:

Year ended 31 December 2016	Amounts due to related parties	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2016	26,372	–	26,372
Dividends declared	–	37,180	37,180
Changes from financing cash flows	–	(17,772)	(17,772)
Net settlement of amounts due from related parties	–	(19,408)	(19,408)
As at 31 December 2016	26,372	–	26,372

Year ended 31 December 2017	Amounts due to related parties	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2017	26,372	–	26,372
Dividends declared	–	18,496	18,496
Changes from financing cash flows	55,000	–	55,000
Net settlement of amounts due from related parties	(6,426)	(18,203)	(24,629)
As at 31 December 2017	74,946	293	75,239

Period from 1 January 2018 to 5 July 2018	Interest-bearing bank loans	Amounts due to related parties	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	–	74,946	293	75,239
Changes from financing cash flows	105,000	(48,000)	–	57,000
Changes from operating cash flows	–	12,916	–	12,916
Net settlement of amounts due from related parties	–	(1,039)	–	(1,039)
As at 5 July 2018	105,000	38,823	293	144,116

Period from 1 January 2017 to 5 July 2017 (Unaudited)	Interest-bearing bank loans	Amounts due to related parties	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2017	–	26,372	–	26,372
Dividends declared	–	–	18,496	18,496
Changes from financing cash flows	40,000	–	–	40,000
Changes from operating cash flows	–	7,319	–	7,319
Net settlement of amounts due from related parties	–	(2,000)	(18,203)	(20,203)
As at 5 July 2017	40,000	31,691	293	71,984

27. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the College during the Relevant Periods.

(a) Names and relationships of related parties

Name	Relationship
Jiahong Holding Group Co., Ltd. ("JH Holdings Group")	Shareholder of the College
Zhongyuan University	Shareholder of the College
Zhengzhou Jiahong Logistics Service Co., Ltd.	Company controlled by JH Holdings Group
Wenzhou Jiajia Network Technology Co., Ltd. ("Wenzhou Jiajia")	Company controlled by JH Holdings Group
Wenzhou Jiaren Investment Co., Ltd.	Company controlled by JH Holdings Group
Zhejiang Jialuo Science and Technology Co., Ltd. ("Zhejiang Jialuo")	Company controlled by JH Holdings Group
Zhejiang Changzheng Vocational and Technical College	Company controlled by JH Holdings Group
Yueqing Jing Yi Middle School ("Yueqing Jing Yi")	Company controlled by JH Holdings Group
Chen Yuguo 陳餘國	Shareholder of JH Holdings Group
Chen Yuchun 陳餘春	Shareholder of JH Holdings Group
Chen Lingfeng 陳淩峰	Shareholder of JH Holdings Group
Chen Shu 陳澍	Shareholder of JH Holdings Group
Zhao Xiaojun 趙曉俊	Close family member of one of the shareholders of JH Holdings Group

(b) Outstanding balances with related parties

As disclosed in the statements of financial position, the College had outstanding balances with its related parties as at 31 December 2016, 2017 and 5 July 2018 as follows:

Amounts due from related parties

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
JH Holdings Group	115,145	255,111	254,740
Zhongyuan University	32,148	10,774	–
Chen Yuchun	–	–	–
Chen Lingfeng	–	–	–
Chen Shu	–	–	–
Chen Yuguo	6,572	–	–
	153,865	265,885	254,740

The outstanding balances with related parties above are unsecured, interest-free, repayable on demand and non-trade in nature.

The maximum amount outstanding for balances due from related parties during the year/period as follows:

	Year ended 31 December		Period from 1 January to 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
JH Holdings Group	196,919	354,057	255,557
Zhongyuan University	32,148	32,148	10,774
Chen Yuchun	13,500	–	–
Chen Lingfeng	11,500	–	–
Chen Shu	9,700	–	–
Chen Yuguo	20,572	6,572	–

Amounts due to related parties

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Chen Yuguo	–	19,946	19,946
Wenzhou Jiaren Investment Co., Ltd.	11,800	–	–
Zhejiang Jialuo	10,000	–	–
Yueqing Jing Yi	4,572	–	–
Zhongyuan University	–	–	11,877
Wenzhou Jiajia	–	55,000	7,000
	26,372	74,946	38,823

(c) Compensation of key management personnel of the College

	As at 31 December		Period from 1 January to 5 July	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	125	247	95	169
Pension contributions	22	24	8	19

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Statement.

(d) During the Relevant Periods, the College used some properties owned by Zhongyuan University free of charge.

(e) In 2006, JH Holdings Group entered into a cooperation agreement with Zhongyuan University. Pursuant to the arrangement, the College had two campuses, namely, the main campus and the north campus. Zhongyuan University owned all the fixed assets of the north campus and received the entirety of its school income (being the school revenue of the north campus less its operating costs), which comprises the co-operation costs of the College. During Relevant Periods and for the period from 1 January 2017 to 5 July 2017, co-operation costs amounted to RMB34,734,000, RMB34,331,000, RMB19,081,000 and RMB19,066,000, respectively. With respect to the main campus, 35% capital contribution was made by Zhongyuan University and the remaining 65% was made by the JH Holdings Group. Accordingly, 35% of school income (being the school revenue of the main campus less its operating costs) was distributed to Zhongyuan University as disclosed in note 11 and the remaining 65% was still retained in the College.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the College as at the end of each of the Relevant Periods are as follows:

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Trade receivables	1,443	1,441	1,737
Financial assets included in prepayments, deposits and other receivables	3,806	4,397	1,109
Amounts due from related parties	153,865	265,885	254,740
Cash and cash equivalents	105,522	57,355	71,711
	264,636	329,078	329,297

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Financial liabilities included in other payables and accruals	16,231	23,696	13,037
Dividends payable	–	293	293
Interest-bearing bank loans	–	–	105,000
Amounts due to related parties	26,372	74,946	38,823
	42,603	98,935	157,153

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The College's principal financial instruments comprise interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the College's operations. The College has various other financial assets and liabilities such as trade receivables, other receivables, other payables and accruals, amounts due from related parties and amounts due to related parties, which arise directly from its operations.

The main risks arising from the College's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The College's exposure to the risk of changes in market interest rates relates primarily to the College's bank borrowings with floating interest rates. The interest rates and terms of repayments of the borrowings are disclosed in note 21. The College has not used any interest swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the College's post-tax profit for the years ended 31 December 2016, 2017 and for the periods from 1 January 2017 to 5 July 2017 and 1 January 2018 to 5 July 2018 would decrease/increase by nil, nil, nil and RMB77,000, respectively. This is mainly attributable to the College's exposure to interest rates on its bank balances and borrowings with variable rates.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The College has no concentration of credit risk from third party debtors. The College's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, trade receivables and other receivables, and amounts due from related parties.

As of 31 December 2016, 2017 and 5 July 2018, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk.

All of the trade receivables, other receivables and amounts due from related parties have no collateral. The College assessed the credit quality of the counterparties by taking into account their financial positions, credit history of failure to make payments on their contractually due dates, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the College and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

The College considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the College compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The College applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable.

As at 31 December 2016, 2017 and 5 July 2018, credit rating of other receivables and amounts due from related parties had been performed by the College. The College assessed that the expected credit losses for these receivables and amounts due from related parties are not material under the 12 months' expected losses method. Thus, no loss allowance provision was recognised during the Relevant Periods and the period from 1 January 2017 to 5 July 2017.

Liquidity risk

The College monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The College's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the College's financial liabilities at the end of each of the Relevant Periods, based on contractual undiscounted payments, was as follows:

	As at 31 December 2016				
	On demand	Within 1 year	1 to 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	16,231	–	–	16,231	16,231
Amounts due to related parties	26,372	–	–	26,372	26,372
	42,603	–	–	42,603	42,603

	As at 31 December 2017				
	On demand	Within 1 year	1 to 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	23,696	–	–	23,696	23,696
Dividends payable	293	–	–	293	293
Amounts due to related parties	74,946	–	–	74,946	74,946
	98,935	–	–	98,935	98,935

	As at 5 July 2018				
	On demand	Within 1 year	1 to 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	13,037	–	–	13,037	13,037
Dividends payable	293	–	–	293	293
Interest-bearing bank loans	105,000	–	–	105,000	105,000
Amounts due to related parties	38,823	–	–	38,823	38,823
	157,153	–	–	157,153	157,153

Capital management

The College'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 College manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the College may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The College is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The College monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		As at 5 July
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	221,815	288,021	199,637
Total assets	779,969	947,416	933,342
Debt-to-asset ratios	28%	30%	21%

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the College in respect of any period subsequent to 5 July 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA & IB to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix IA & IB to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 31 December 2018 as if it had taken place on 31 December 2018.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 December 2018 or any future date. It is prepared based on our consolidated net tangible assets as of 31 December 2018 as set out in the Accountants' Report as set out in Appendix IA to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix IA to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 31 December 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$ equivalent)*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.50 per Share	937,600	501,745	1,439,345	0.90	1.02
Based on an Offer Price of HK$1.92 per Share	937,600	645,138	1,582,738	0.99	1.13

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2018 is extracted from Appendix IA – Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 31 December 2018 of approximately RMB1,065,466,000 less intangible assets as of 31 December 2018 of approximately RMB127,866,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.50 per Share or HK$1.92 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB27,177,000 which have been paid or become payable up to 31 December 2018) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8782 prevailing on 27 May 2019 published by the People's Bank of China ("PBOC").

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,600,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8782 prevailing on 27 May 2019 published by PBOC.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst &Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
JH Educational Technology INC.

We have completed our assurance engagement to report on the compilation of pro forma financial information of JH Educational Technology INC. (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 unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2018 and related notes as set out on pages II-1 and II-2 of the prospectus dated 4 June 2019 issued by the Company (the "Prospectus") (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and*

Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
4 June 2019

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at April 30, 2019 of the selected property interests of the Group.

APA
CONSULTING & APPRAISAL
亚太評估

Asia-Pacific Consulting and Appraisal Limited
Room 1907, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay,
Hong Kong

June 4, 2019

The Board of Directors
JH Educational Technology INC.
No 618 Liu Weng Road
Liu Shi Town
Yueqing City
Zhejiang Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions to value the selected property interests held by JH Educational Technology INC. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the selected property interests as at April 30, 2019 (the "**valuation date**").

For the purpose of this report, "property activities" mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. Any other property interest is classified as "non-property activities". The selected properties in this report refer to a property interest that forms part of the Group's non-property activities has a carrying amount of 15% or more of the Group's total assets. Except for the property interests in the report, the Group has no any property interest that forms part of the Group's property activities. Furthermore, we have adopted the below guidance on what constitutes a property interest:-

(a) one or more units in the same building or complex;

(b) one or more properties located at the same address or lot number;

(c) one or more properties comprising an integrated facility;

(d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);

(e) (one or more properties held for investment within one complex;

(f) one or more properties, structures or facilities located contiguously teach other or located on adjoining lots and used for the same or similar operational/ business purposes; or

(g) a project or phases of development presented to the public as one whole project or forming a single operating entity.

Basis of Valuation

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

Methods of Valuation

We have valued the property no. 4 by the comparison approach assuming sale of the property interest in its existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Where, due to the nature of the buildings and structures of property nos. 1, 2 and 3 and the particular location in which they are situated, there are unlikely to be relevant market comparable sales comparables readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interest held under development as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Valuation Standards

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and other official permits relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Jingtian & Gongcheng Law Offices, concerning the validity of the property interests in the PRC.

Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on June 14, 2018 and May 27, 2019 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has over 19 years' experience in the property valuation in the PRC; Ms. Sophia Xi who has 4 years' experience in the property valuation in the PRC; Ms. Maggie Wang who has 2 years' experience in the property valuation in the PRC and Ms. Ivy Liu who has 2 years' experience in the property valuation in the PRC.

Currency

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited
David G. D. Cheng
MRICS
Executive Director

Note: David G. D. Cheng is a Chartered Surveyor who has 19 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Properties held for owner occupation in the PRC
Group II: Properties held under development by the Group in the PRC
Group III: Properties occupied by the Group under a cooperation agreement in the PRC

No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date
		RMB **Group I:**	*RMB* **Group II:**	*RMB* **Group III:**	*RMB* **Total of the property:**
1.	2 parcels of land, 56 buildings and various structures located at the northern side of Shuanghu Avenue and the western side of Zhengxin Road Longhu Town Shuanghu District Zhengzhou City Henan Province The PRC	356,414,000[(1)]	—	—	356,414,000
2.	17 buildings located at No. 41 Zhongyuan Xi Road Zhongyuan District Zhengzhou City Henan Province The PRC	—	—	No commercial value	No commercial value
3.	2 parcels of land, 16 completed buildings and 3 buildings under construction No. 525 Liuhe Road Xiaoheshan High Education Park Xihu District, Hangzhou City Zhejiang Province The PRC	No commercial value	No commercial value	—	No commercial value[(2)]

No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date
		RMB **Group I:**	*RMB* **Group II:**	*RMB* **Group III:**	*RMB* **Total of the property:**
4.	18 residential units on Levels 15, 17, 19 and 22 of a 23-storey building located at the eastern side of Fengqing Road and the northern side of Sandun Road Gongshu District Hangzhou City Zhejiang Province The PRC	No commercial value[3]	—	—	No commercial value
	Total:	**356,414,000**	**Nil**	**Nil**	**356,414,000**

Notes:

(1) For the portions without proper title certificates or erected on the allocated land, we have not attributed commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB271,943,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

(2) For the portions without proper title certificates or erected on the allocated land, we have not attributed commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB559,637,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

(3) As the Group has not obtained proper title certificates to the property, we have not attributed commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB6,388,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
1.	2 parcels of land, 56 buildings and various structures located at the northern side of Shuanghu Avenue and the western side of Zhengxin Road Longhu Town Shuanghu District Zhengzhou City Henan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 510,826.28 sq. m., 56 buildings and various structures erected thereon which were completed in various stages between 2006 and 2017. The 56 buildings have a total gross floor area of approximately 288,095.61 sq. m., mainly include teaching buildings, training center, dormitories, teacher apartments, dining halls, a library, a sport center, a gymnasium and an administrative building. The structures mainly include stadium, plane attendant training center. The land use rights of one parcel of land have been granted to the Group for a term expiring in June 2054 for industrial use. The land use rights of the other parcel of land have been allocated to the Group for science and education uses.	The property is currently occupied by the Group for education and ancillary purposes except for portions of the property with a total gross floor area of approximately 2,769.6 sq. m. which were leased to various tenants for supermarket, canteen and retail purposes.	356,414,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Xin Tu Guo Yong (2013) Di No. 106, the land use rights of a parcel of land with a site area of approximately 301,483.16 sq. m. have been granted to Zhongyuan University of Technology College of Information & Business (中原工學院信息商務學院, "**ZCIB**") for a term expiring in June 2054 for industrial use.

2. Pursuant to a State-owned Land Use Rights Certificate – Xin Tu Guo Yong (2011) Di No. 157, the land use rights of a parcel of land with a site area of approximately 209,343.12 sq. m. have been allocated to ZCIB for science and education uses.

3. Pursuant to 39 Building Ownership Certificates – Xin Fang Quan Zheng Zi Di Nos. 1001002801 to 1001002813 and Xin Zheng Fang Quan Zheng Zi Di Nos. 1501004638 to 1501004645, 1401006717 to 1401006725 and 1201002688 to 1201002696, 39 buildings with a total gross floor area of approximately 241,691.43 sq. m. are owned by ZCIB. The details are set out as follows:

No.	Certificate No.	Gross Floor Area *(sq. m.)*
1.	Xin Fang Quan Zheng Zi Di No. 1001002806	7,957.90
2.	Xin Fang Quan Zheng Zi Di No. 1001002810	4,905.36
3.	Xin Fang Quan Zheng Zi Di No. 1001002809	4,905.36
4.	Xin Fang Quan Zheng Zi Di No. 1001002808	4,905.36
5.	Xin Fang Quan Zheng Zi Di No. 1001002807	4,905.36
6.	Xin Fang Quan Zheng Zi Di No. 1001002803	9,163.89
7.	Xin Fang Quan Zheng Zi Di No. 1001002802	11,142.42
8.	Xin Fang Quan Zheng Zi Di No. 1001002805	14,152.50
9.	Xin Fang Quan Zheng Zi Di No. 1001002804	11,142.42
10.	Xin Fang Quan Zheng Zi Di No. 1001002801	10,050.46
11.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002688	5,288.55
12.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002696	4,840.32
13.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002695	4,840.32
14.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002694	4,840.32
15.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002693	4,840.32
16.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002692	4,004.75
17.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002691	4,622.70
18.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002690	4,931.70
19.	Xin Zheng Fang Quan Zheng Zi Di No. 1201002689	4,931.70
20.	Xin Fang Quan Zheng Zi Di No. 1001002813	6,039.22
21.	Xin Fang Quan Zheng Zi Di No. 1001002812	6,039.22
22.	Xin Fang Quan Zheng Zi Di No. 1001002811	3,734.93
23.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006723	4,703.56
24.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006724	4,703.56
25.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006717	6,872.50
26.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006725	4,703.56
27.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004638	4,703.56
28.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004645	4,703.56
29.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004639	4,703.56
30.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004640	4,703.56
31.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004644	4,703.56
32.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004641	4,703.56
33.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006718	8,077.75
34.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004642	4,703.56
35.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006719	8,688.34
36.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006720	7,859.36
37.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006721	7,859.36
38.	Xin Zheng Fang Quan Zheng Zi Di No. 1501004643	7,907.16
39.	Xin Zheng Fang Quan Zheng Zi Di No. 1401006722	5,206.28
	Total:	**241,691.43**

4. For the remaining 17 buildings with a total gross floor area of approximately 46,404.18 sq. m.:-

   a. pursuant to 2 Construction Work Planning Permits – Jian Zi Di No. 410184201700006108104 and 410184201200032108104 in favor of ZCIB, 10 out of the 17 buildings (comprising a west commercial street, a western restaurant, a new restaurant, a gymnasium, two teacher apartments, one power distribution room and three student dormitories) with a total gross floor area of approximately 40,524.03 sq. m. have been approved for construction. As advised by the Group, ZCIB is in process of applying for the relevant title certificates for these 10 buildings.

   b. for 7 out of the 17 buildings with a total gross floor area of approximately 5,880.15 sq. m., we have not been provided with any title certificates or construction permits to them.

5. Pursuant to 24 Tenancy Agreements, portions of the property with a total gross floor area of approximately 2,769.6 sq. m. were leased to various tenants for supermarket, canteen and other retail purposes for various terms with the latest expiry date on July 10, 2019. The total annual rental receivable in 2019 is approximately RMB1,173,500, exclusive management fee.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. for the land mentioned in note 1, (i) ZCIB legally and effectively owns the land use rights of the land. Before the expiry date stipulated in the State-owned Land Use Rights Certificate, ZCIB is the sole land-use-rights holder of the land and has the right to legally use the land according to the legal usage of the land. (ii) the legal usage of the land is for industrial but its actual usage is for education. ZCIB has obtained a confirmation letter from the local authorities pursuant to which ZCIB can continue to use the land for educational activities and the local authorities will not repossess the land use rights or impose any punishment on ZCIB. Therefore, the possibility that ZCIB may be penalized by the local authorities due to the use of industrial land for educational activities is low. (iii) as the usage of the land is for education, the land use rights of the land cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict ZCIB to transfer, lease, donate or use by permission the land use rights to third parties.

   b. for the land mentioned in note 2, (i) ZCIB is the sole land-use-rights holder of the land and has the right to legally use the land according to the legal usage of the land. (ii) due to the allocated nature of the land, ZCIB shall not transfer, lease or mortgage the land use rights to the third parties unless the approval from the local authorities has been obtained by ZCIB.

   c. for nos. 1 to 22 of the buildings mentioned in note 3, (i) ZCIB is the sole owner and has the right to legally use these buildings according to the legal usage of the buildings. (ii) as the usage of the buildings is for education, the buildings cannot be mortgaged under the PRC laws. In addition to the foregoing legal restrictions, there are no other laws and regulations to restrict ZCIB to transfer, lease, donate or use by permission the buildings to third parties.

   d. for nos. 23 to 39 of the buildings mentioned in note 3, (i) ZCIB is the sole owner and has the right to legally use these buildings according to the legal usage of the buildings and is entitled to legally use the buildings. (ii) as these buildings are erected the allocated land, ZCIB shall not transfer, lease or mortgage these buildings to the third parties unless the approval from the local authorities has been obtained by ZCIB.

   e. for the buildings mentioned in note 4a, (i) ZCIB may be penalized by the local authorities due to lack of construction permits or title certificates. (ii) ZCIB will be entitled to transfer these buildings upon obtaining the proper title certificates.

   f. for the buildings mentioned in note 4b, (i) ZCIB may be penalized by the local authorities due to lack of construction permits or title certificates. (ii) as confirmed by ZCIB, these buildings have fallen into disuse before the date of this report.

7. In the course of valuation, we have made reference to sales prices of land within the localities which have the similar characteristics comparable to the property. The prices of these comparable land sites range from about RMB375 to RMB376 per sq. m. on site area basis. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

8. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 17 buildings of the property mentioned in note 4 which have not been obtained any proper title certificates and nos. 23 to 39 of the buildings mentioned in note 3 which are erected on the allocate land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB271,943,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

9. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date
	(RMB)
Group I – held for owner occupation by the Group	356,414,000
Group II – held under development by the Group	—
Group III – occupied by the Group under a cooperation agreement	—
Grand-total:	**356,414,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
2.	17 buildings No. 41 Zhongyuan Xi Road Zhongyuan District Zhengzhou City Henan Province The PRC	The property comprises 17 buildings with a total gross floor area of approximately 60,427.73 sq. m., mainly include 9 dormitories, 2 teaching buildings, a dining hall, a library and 4 ancillary buildings.	The property is currently occupied by the Group for education and ancillary purposes.	No commercial value *(notes 5 and 6)*

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zheng Guo Yong (2013) Di No. 0305, the land use rights of a parcel of land with a site area of approximately 96,480.87 sq. m. have been allocated to Zhongyuan University of Technology (中原工學院) for science and education uses.

2. Pursuant to 17 Building Ownership Certificates, 17 buildings of the property with a total gross floor area of approximately 60,427.73 sq. m. are owned by Zhongyuan University of Technology (中原工學院). The details are set out as follows:

No.	Certificate No.	Gross Floor Area
		(sq. m.)
1.	Zheng Fang Quan Zheng Zi Di No. 1301047232	1,327.93
2.	Zheng Fang Quan Zheng Zi Di No. 1301047234	79.22
3.	Zheng Fang Quan Zheng Zi Di No. 1301047269	79.22
4.	Zheng Fang Quan Zheng Zi Di No. 1301047270	773.07
5.	Zheng Fang Quan Zheng Zi Di No. 1301047272	11,995.98
6.	Zheng Fang Quan Zheng Zi Di No. 1301047273	34.51
7.	Zheng Fang Quan Zheng Zi Di No. 1301047275	6,523.66
8.	Zheng Fang Quan Zheng Zi Di No. 1301047276	3,901.07
9.	Zheng Fang Quan Zheng Zi Di No. 1301047278	7,046.05
10.	Zheng Fang Quan Zheng Zi Di No. 1301047279	4,838.34
11.	Zheng Fang Quan Zheng Zi Di No. 1301047282	2,814.67
12.	Zheng Fang Quan Zheng Zi Di No. 1301047283	970.52
13.	Zheng Fang Quan Zheng Zi Di No. 1301047285	7,361.87
14.	Qiu (Di) No. 1642100008	5,760.72
15.	Qiu (Di) No. 1642100009	5,371.08
16.	Qiu (Di) No. 1642100007	650.88
17.	Qiu (Di) No. 1642100037	898.94
	Total:	**60,427.73**

3. Pursuant to a Cooperation and Reorganization Agreement between the Company and Zhongyuan University of Technology (中原工學院), for cooperative education purpose, Zhongyuan University of Technology (中原工學院) agreed that the property can be occupied by Zhongyuan University of Technology College of Information & Business (中原工學院信息商務學院, "**ZCIB**") as North Campus for a term of 50 years from October 18, 2006 to October 17, 2056.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. as the property is erected the allocated land and Zhongyuan University of Technology (中原工學院) agreed that the property can be used by ZCIB by way of cooperative education without approval from the local authorities, there is a risk that Zhongyuan University of Technology (中原工學院) may be imposed fines or confiscated illicit earning by the local authorities.

b. ZCIB has obtained a confirmation letter from the local authorities pursuant to which ZCIB can continue to use the property for educational activities and the local authorities will not repossess the property or impose any punishment on Zhongyuan University of Technology (中原工學院). Therefore, the possibility that ZCIB may be forced to relocate from the property is low.

5. In the valuation of this property, we have attributed no commercial value to the property due to lack of proper title certificated under the name of ZCIB.

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date**
	(RMB)
Group I – held for owner occupation by the Group	—
Group II – held under development by the Group	—
Group III – occupied by the Group under a cooperation agreement	No commercial value
Grand-total:	**No commercial value**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
3.	2 parcels of land, 16 completed buildings and 3 buildings under construction No. 525 Liuhe Road Xiaoheshan High Education Park Xihu District Hangzhou City Zhejiang Province The PRC	The property comprises two parts: ***Part A:*** Part A comprises a parcel of land with a site area of approximately 234,419 sq. m. and 16 buildings erected thereon which were completed in 2012. The 16 buildings of Part A have a total gross floor area of approximately 178,482.07 sq. m., mainly include teaching buildings, training buildings, dormitories, dining halls, a library and ancillary buildings. The land use rights of Part A have been allocated to the Group for science and education uses. ***Part B:*** The property comprises a parcel of land with a site area of approximately 105,329 sq. m. and 3 buildings which were being constructed thereon as at the valuation date. As advised by the Group, Part B is scheduled to be completed in September 2019. Upon completion, the buildings of Part B will have a total gross floor area of approximately 26,986.71 sq. m. The total construction cost of Part B is estimated to be approximately RMB50,000,000, of which RMB44,830,693.09 had been paid up to the date of valuation. The land use rights of Part B have been allocated to the Group for science and education uses.	Part A is currently occupied by the Group for education and ancillary purposes except for portions of Part A with a total gross floor area of approximately 8,469.43 sq. m. which were leased to various tenants for supermarket and canteen purposes. Part B is currently under construction.	No commercial value *(notes 9 and 10)*

Notes:

Part A

1. Pursuant to a State-owned Land Use Rights Certificate – Hang Xi Guo Yong (2004) Zi Di No. 000211 with a site area of approximately 234,419 sq. m. have been allocated to Zhejiang Changzheng Vocational & Technical College (浙江長征職業技術學院, "**ZCVTC**") for science and education uses.

2. Pursuant to 12 Building Ownership Certificates – Hang Fang Quan Zheng Xi Zi Di Nos. 10287564 to 10287567, 16358977 to 16358979, 14714706, 16358999, 16359000, 1635902 and 16359029, 12 buildings with a total gross floor area of approximately 121,971.81 sq. m. are owned by ZCVTC. The details are set out as follows:

No.	Certificate No.	Gross Floor Area *(sq. m.)*
1.	Hang Fang Quan Zheng Xi Zi Di No. 16358979	3,882.39
2.	Hang Fang Quan Zheng Xi Zi Di No. 16358978	8,766.00
3.	Hang Fang Quan Zheng Xi Zi Di No. 16358977	8,766.00
4.	Hang Fang Quan Zheng Xi Zi Di No. 14714706	24,099.29
5.	Hang Fang Quan Zheng Xi Zi Di No. 16359000	10,801.26
6.	Hang Fang Quan Zheng Xi Zi Di No. 16358999	6,274.86
7.	Hang Fang Quan Zheng Xi Zi Di No. 16359029	7,898.81
8.	Hang Fang Quan Zheng Xi Zi Di No. 16359028	7,915.81
9.	Hang Fang Quan Zheng Xi Zi Di No. 10287567	11,968.69
10.	Hang Fang Quan Zheng Xi Zi Di No. 10287566	11,551.56
11.	Hang Fang Quan Zheng Xi Zi Di No. 10287565	11,551.56
12.	Hang Fang Quan Zheng Xi Zi Di No. 10287564	8,495.58
	Total:	**121,971.81**

3. For the remaining 4 buildings with a total gross floor area of approximately 56,510.26 sq. m.:-.

   a. pursuant to 2 Construction Work Planning Permits – (2004) Nian Zhe Gui Jian Zheng Nos. 0100188 and 01000336, various buildings with a total gross floor area of approximately 55,353 sq. m. have been approved for construction; and pursuant to 2 Construction Work Commencement Permits – Nos. 330100200404260301 and 330100200406100501, permission by the relevant local authority has been given to commence the construction of various buildings with a total gross floor area of approximately 55,353 sq. m. As advised by the Group, ZCVTC is in process of applying for the relevant title certificates for these buildings.

   b. for 2 out of the 4 buildings with a total gross floor area of approximately 1,157.26 sq. m., we have not been provided with any title certificates or construction permits to them.

4. Pursuant to 33 Tenancy Agreement, portions of the property with a total gross floor area of approximately 8,469.43 sq. m. were leased to various tenants for supermarket, canteen and other retail purposes for various terms with the latest expiry date on June 30, 2019. The total annual rent receivable in 2019 approximately RMB2,093,289, exclusive management fee.

Part B

5. Pursuant to a State-owned Land Use Rights Certificate – Hang Xi Guo Yong (2013) Zi Di No. 100118, the land use rights of a parcel of land with a site area of approximately 105,329.00 sq. m. have been allocated to ZCVTC for science and education uses.

6. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 330100201700107 in favor of ZCVTC, Part B with a total gross floor area of approximately 26,986.71 sq. m. has been approved for construction.

7. Pursuant to a Construction Work Commencement Permit – No. 330106201712180101 in favor of ZCVTC, permission by the relevant local authority was given to commence the construction work of Part B with a total gross floor area of approximately 26,986.71 sq. m.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. for the land mentioned in notes 1 and 5, (i) ZCVTC is the sole land-use-rights holder of the land and has the right to legally use the land according to the legal usage of the land. (ii) due to the allocated nature of the land, ZCVTC shall not transfer, lease or mortgage the land use rights to the third parties unless the approval from the local authorities has been obtained by ZCVTC.

   b. for the buildings mentioned in note 2, (i) ZCVTC is the sole owner and has the right to legally use these buildings according to the legal usage of the buildings and is entitled to legally use the buildings. (ii) as these buildings are erected the allocated land, ZCVTC shall not transfer, lease or mortgage these buildings to the third parties unless the approval from the local authorities has been obtained by ZCVTC.

   c. for the buildings mentioned in note 3a, (i) ZCVTC will be entitled to transfer these buildings upon obtaining the proper title certificates.

   d. for the buildings mentioned in note 3b, (i) ZCVTC may be penalized by the local authorities due to lack of construction permits or title certificates. (ii) as confirmed by ZCVTC, these buildings have fallen into disuse before the date of this report.

   e. ZCVTC has obtained all requisite approvals in respect of the construction of Part B.

9. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property which is erected on the allocated land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding land element) as at the valuation date would be RMB559,637,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

10. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date**
	(RMB)
Group I – held for owner occupation by the Group	No commercial value
Group II – held under development by the Group	No commercial value
Group III – occupied by the Group under a cooperation agreement	—
Grand-total:	**No commercial value**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
4.	18 residential units on Levels 15, 17, 19 and 22 of a 23-storey building located at the eastern side of Fengqing Road and the northern side of Sandun Road Gongshu District Hangzhou City Zhejiang Province The PRC	The property comprises 18 residential units on Levels 15, 17, 19 and 22 of a 23-storey building which was completed in 2015. The units have a total gross floor area of approximately 1,080 sq. m.	The property is currently occupied by the Group for residential purpose.	No commercial value (notes 4 and 5)

Notes:

1. Pursuant to a Joint Construction Agreement of Xiangfuqiao High-school Talents Public Lease Housing Project (祥符橋省高校人才公共租賃房項目聯建協議), (i) Zhejiang Province Education Development Center (浙江省教育發展中心), as developer on behalf of 13 entities (the 13 entities include Zhejiang Changzheng Vocational & Technical College (浙江長征職業技術學院, "**ZCVTC**")), will develop a residential project (comprising 3 residential buildings) with a total gross floor area of approximately 28,908.6 sq. m. (ii) the construction cost of the project will be shared by the 13 entities, and each entity will obtain some units according to the proportion of investment after completion of the project.

   Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 330100201300237 in favor of Zhejiang Province Education Development Center (浙江省教育發展中心), the aforesaid project with a total gross floor area of approximately 28,908.6 sq. m. has been approved for construction.

   Pursuant to a Construction Work Commencement Permit – No. 330100201308300101 in favor of Zhejiang Province Education Development Center (浙江省教育發展中心), permission by the relevant local authority has been given to commence the construction of the aforesaid project with a total gross floor area of approximately 28,908.6 sq. m.

   Pursuant to a Construction Work Completion and Inspection Recordation – 330105201701130101, the aforesaid project with a total gross floor area of approximately 28,908.6 sq. m. has been completed and passed the acceptance inspection.

2. As confirmed by the Group, Zhejiang Province Education Development Center (浙江省教育發展中心) has delivered to ZCVTC 18 residential units with a total gross floor area of approximately 1,080 sq. m.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Zhejiang Province Education Development Center (浙江省教育發展中心) has obtained all requisite approvals in respect of the construction of the project mentioned in note 1 and has the rights to deliver the corresponding portion of the project to ZCVTC.

   b. as the property is erected the allocated land, ZCVTC or Zhejiang Province Education Development Center (浙江省教育發展中心) shall not transfer, lease or mortgage the property to the third parties unless the approval from the local authorities has been obtained.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property without any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB6,388,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date**
	(RMB)
Group I – held for owner occupation by the Group	No commercial value
Group II – held under development by the Group	—
Group III – occupied by the Group under a cooperation agreement	—
Grand-total:	**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 June 23, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on May 30, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) **Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) **Appointment, retirement and removal**

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) **Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, 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 favor 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 realized 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 authorized 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 authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized 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 recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its 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 authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings and extraordinary general meetings**

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) **Notices of meetings and business to be conducted**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member’s registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized 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 authorized 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 authorized 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 summarized 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 summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, 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 authorized 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.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

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 summarized 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 authorized 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 cancelation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized 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 authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize 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 authorized 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 canceled 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 authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of thirty years from November 13, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing 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 authorized 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 authorized by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the

Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) **Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on June 23, 2017. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 21, 2018 and our Company's principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. Ms. Mak Po Man Cherie of 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was US$50,000 divided into 50,000 Shares of US$1.00 each. At the time of incorporation, the issued share capital of our Company was US$1.00, with one Share of US$1.00 held by Sertus Nominees (Cayman) Limited, an Independent Third Party. On the same date, the said one Share was transferred to Cao's Investment Holdings Limited for a consideration at par value.

On the same date, our Company issued and allotted a total of 9,999 Shares to the following companies for a consideration at par value:

Shareholder's Name	Shares Issued
Guo's Investment Holdings Limited	3,150
Shu's Investment Holdings Limited	1,800
Feng's Investment Holdings Limited	1,800
Chun's Investment Holdings Limited	1,000
ZXL Investment Holdings Limited	1,000
Cao's Investment Holdings Limited	749
CNS Investment Holdings Limited	500
Total	***9,999***

On May 30, 2019, each share of a par value of US$1.00 in the authorized share capital of our Company was subdivided into 100 shares of a par value of US$0.01 each, such that immediately following such share subdivision, the authorized share capital of our Company would become US$50,000 divided into 5,000,000 shares of US$0.01 each.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be US$300,000,000 divided into 30,000,000,000 Shares, of which 1,600,000,000 Shares will be issued fully paid or credited as fully paid, and 28,400,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company – 4. Written resolutions of the then Shareholders passed on May 30, 2019" in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

3. Changes in share capital of our subsidiaries and PRC Consolidated Affiliated Entities

The following alterations in the share capital or registered capital of our subsidiaries and PRC Consolidated Affiliated Entities took place within the two years immediately preceding the date of this prospectus:

Yueqing JH Investment

On June 20, 2017, the registered capital of Yueqing JH Investment was increased from RMB1 million to RMB9 million.

Yueqing Jialuo

On June 11, 2018, the registered capital of Yueqing Jialuo was increased from RMB1 million to RMB5 million.

Yueqing Jiasheng

On June 11, 2018, the registered capital of Yueqing Jiasheng was increased from RMB1 million to RMB5 million.

Save as disclosed above, there has been no alteration in the share capital or registered capital of our subsidiaries and PRC Consolidated Affiliated Entities within the two years preceding the date of this prospectus.

4. Written resolutions of the then Shareholders passed on May 30, 2019

Pursuant to the written resolutions of the then Shareholders entitled to vote at general meetings of our Company, which were passed on May 30, 2019:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) each share of a par value of US$1.00 in the authorized share capital of our Company was subdivided into 100 shares of a par value of US$0.01 each, such that immediately following such share subdivision, the authorized share capital of our Company would become US$50,000 divided into 5,000,000 shares of US$0.01 each;

(c) the authorized share capital of our Company was increased from US$50,000 divided into 5,000,000 Shares of US$0.01 each to US$300,000,000 divided into

30,000,000,000 Shares of US$0.01 each by the creation of 29,995,000,000 Shares of US$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

(d) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US$11,990,000 be capitalized and applied in paying up in full at par value 1,199,000,000 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank pari passu in all respect with the existing issued Shares;

(iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by our Board were authorized, at their sole discretion, to: (a) administer the Share Option Scheme; (b) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (c) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (d) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (e) make application at appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (f) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of

Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options that may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to our Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the number of Shares not exceeding 20% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to our Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate number of Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to our Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (d)(v) above by the addition to the aggregate total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate total number of Shares repurchased by our Company pursuant to paragraph (d)(vi) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (d)(v), (d)(vi) and (d)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable laws or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then Shareholders passed on May 30, 2019, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total number of Shares not more than 10% of the total number of Shares in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "– A. Further information about our Company – 4. Written resolutions of the then Shareholders passed on May 30, 2019" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. See the section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(1) an equity transfer agreement dated April 9, 2018 entered into between Mr. Zhao Zhangxing (趙章興) and JH Holdings Group pursuant to which the 20% equity interest in Wenzhou Dexin Electric Appliance Co., Ltd.* (溫州德信電器有限公司) was transferred from JH Holdings Group to Mr. Zhao Zhangxing at a consideration of RMB0.6 million;

(2) an equity transfer agreement dated April 9, 2018 entered into between Mr. Xu Jinlong (徐金龍) and JH Holdings Group pursuant to which the 51% equity interest in Wenzhou Zhengda Rectifier Co., Ltd.* (溫州正大整流器有限公司) was transferred from JH Holdings Group to Mr. Xu Jinlong at a consideration of RMB1.02 million;

(3) an equity transfer agreement dated April 12, 2018 entered into between Mr. Zhao Xiaojun (趙曉俊) and JH Holdings Group pursuant to which the 25% equity interest in Wenzhou Jiaren was transferred from Mr. Zhao Xiaojun to JH Holdings Group at a consideration of RMB5 million;

(4) an equity transfer agreement dated April 12, 2018 entered into between Ms. Zhao Xiaoyan (趙曉燕) and JH Holdings Group pursuant to which the 15% equity interest in Wenzhou Jiaren was transferred from Ms. Zhao Xiaoyan to JH Holdings Group at a consideration of RMB3 million;

(5) a supplemental agreement dated June 12, 2018 entered into between Zhongyuan University of Technology (中原工學院) and JH Holdings Group to supplement to an agreement entered into between such parties on March 28, 2017 and to specify the rights and obligations of such parties during the application and transitional period of the transformation of College of Information and Business;

(6) an instrument of transfer dated June 22, 2018 entered into between our Company as transferor and JH BVI as transferee, pursuant to which 10,000 shares in JH HK was transferred from our Company to JH BVI at a consideration of HK$10,000;

(7) an equity transfer agreement dated July 25, 2018 entered into between Mr. Zhao Xiaojin (趙曉金) and JH Holdings Group pursuant to which the 60% equity interest in Zhengzhou Jiahong Logistics Service Co., Ltd. (鄭州嘉宏後勤服務有限公司) was transferred from JH Holdings Group to Mr. Zhao Xiaojin at a consideration of RMB12 million;

(8) an equity transfer agreement dated July 25, 2018 entered into between Mr. Wu Daofeng (吳道豐) and Wenzhou Jiaren pursuant to which the 40% equity interest in Zhengzhou Jiahong Logistics Service Co., Ltd. (鄭州嘉宏後勤服務有限公司) was transferred from Wenzhou Jiaren to Mr. Wu Daofeng at a consideration of RMB8 million;

(9) a business cooperation agreement dated November 7, 2018 entered into by and among the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jialuo, Yueqing Jiasheng, Yueqing Jiazheng and the Shareholders of JH Holdings Group, pursuant to which the WFOE 1 agreed to provide, among other things, technical service, management support service and consultancy service necessary for conducting private education activities to JH Holdings Group and its subsidiaries, and as consideration, JH Holdings Group and its subsidiaries shall pay fees to the WFOE 1;

(10) a business cooperation agreement dated November 7, 2018 entered into by and among the WFOE 2, Jingyi Secondary School and the School Sponsors of Jingyi Secondary School, pursuant to which the WFOE 2 agreed to provide, among other things, technical service, management support service and consultancy service necessary for conducting private education activities to Jingyi Secondary School, and as consideration, Jingyi Secondary School shall pay fees to the WFOE 2;

(11) an exclusive technical service and management consultancy agreement dated November 7, 2018 and entered into by and among the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jialuo, Yueqing Jiasheng and Yueqing Jiazheng, pursuant to which the WFOE 1 agreed to provide, among other things, exclusive technical service and management consultancy service to JH Holdings Group and its subsidiaries, and as consideration, JH Holding Group and its subsidiaries agreed to pay on an annual basis the relevant services fees to the WFOE 1 equal to, as for JH Holdings Group and its subsidiaries, all of their profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by the law) and the statutory surplus reserve (if required by law));

(12) an exclusive technical service and management consultancy agreement dated November 7, 2018 and entered into by and between the WFOE 2 and Jingyi Secondary School, pursuant to which the WFOE 2 agreed to provide, among other things, exclusive technical service and management consultancy service to Jingyi Secondary School, and as consideration, Jingyi Secondary School agreed to pay on an annual basis the relevant services fees to the WFOE 2 equal to all of its profit (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by the law), the legally compulsory development fund (if required by the law), remission of tuition fees, expenses of scholarships and financial aids (if required by the law) and other expenses required by the law);

(13) an exclusive technical service and management consultancy agreement dated November 7, 2018 and entered into by and between the WFOE 1 and College of Information and Business, pursuant to which the WFOE 1 agreed to provide, among other things, exclusive technical service and management consultancy service to College of Information and Business, and as consideration, College of Information and Business agreed to pay on an annual basis the relevant services fees to the WFOE 1 equal to all of its profit (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by the law), fees paid to the counterparty of cooperation of schooling, the legally compulsory development fund (if required by the law), remission of tuition fees, expenses of scholarships and financial aids (if required by the law) and other fees required by the law);

(14) an exclusive call option agreement dated November 7, 2018 and entered into by and among the WFOE 1, the Shareholders of JH Holdings Group, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jialuo, Yueqing Jiasheng and Yueqing Jiazheng, pursuant to which each of the Shareholders of JH Holdings Group irrevocably granted the WFOE 1 or its designated purchaser an exclusive option to purchase all or part of his/its direct or indirect interest in JH Holdings Group and its subsidiaries at the lowest price permitted under the PRC laws and regulations;

(15) an exclusive call option agreement dated November 7, 2018 and entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, pursuant to which each of the School Sponsors of Jingyi Secondary School irrevocably granted the WFOE 2 or its designated

purchaser an exclusive option to purchase all or part of the direct or indirect interest in Jingyi Secondary School at the lowest price permitted under the PRC laws and regulations;

(16) an accounts receivable pledge agreement dated November 7, 2018 and entered into by and among the School Sponsors of Jingyi Secondary School, the WFOE 2 and Jingyi Secondary School, pursuant to which the School Sponsors of Jingyi Secondary School unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of the receivables from third parties due to transfer or other forms of disposal of all or part of the sponsor interest in Jingyi Secondary School, to the WFOE 2 for the purpose of securing the performance of the contractual obligations of Jingyi Secondary School and the School Sponsors of Jingyi Secondary School under the Structured Contracts II;

(17) an equity pledge agreement dated November 7, 2018 and entered into by and among the Shareholders of JH Holdings Group, JH Holdings Group, the WFOE 1 and the WFOE 2, pursuant to which the Shareholders of JH Holdings Group unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of the equity interest in JH Holdings Group together with all related rights thereto to the WFOE 1 and the WFOE 2 for the purpose of securing the performance of the contractual obligations of JH Holdings Group and its subsidiaries, the Shareholders of JH Holdings Group, Jingyi Secondary School and the School Sponsors of Jingyi Secondary School under the Structured Contracts;

(18) a shareholders' rights entrustment agreement dated November 7, 2018 and entered into by and among the Shareholders of JH Holdings Group, JH Holdings Group and the WFOE 1, pursuant to which each of the Shareholders of JH Holdings Group irrevocably authorized and entrusted the WFOE 1 or its designated person to exercise all his/her rights as the shareholder of JH Holdings Group to the extent permitted by the PRC laws;

(19) a shareholder's power of attorney dated November 7, 2018 and executed by Mr. Chen Yuguo (陳余國) appointing the WFOE 1 as his appointee to exercise all his shareholder's rights in JH Holdings Group;

(20) a shareholder's power of attorney dated November 7, 2018 and executed by Mr. Chen Shu (陳澍) appointing the WFOE 1 as his appointee to exercise all his shareholder's rights in JH Holdings Group;

(21) a shareholder's power of attorney dated November 7, 2018 and executed by Mr. Chen Lingfeng (陳凌峰) appointing the WFOE 1 as his appointee to exercise all his shareholder's rights in JH Holdings Group;

(22) a shareholder's power of attorney dated November 7, 2018 and executed by Mr. Chen Yuchun (陳余春) appointing the WFOE 1 as his appointee to exercise all his shareholder's rights in JH Holdings Group;

(23) a shareholder's power of attorney dated November 7, 2018 and executed by Ms. Zhang Xuli (張旭麗) appointing the WFOE 1 as her appointee to exercise all her shareholder's rights in JH Holdings Group;

(24) a shareholder's power of attorney dated November 7, 2018 and executed by Mr. Chen Yucao (陳余曹) appointing the WFOE 1 as his appointee to exercise all his shareholder's rights in JH Holdings Group;

(25) a shareholder's power of attorney dated November 7, 2018 and executed by Mr. Chen Nansun (陳南蓀) appointing the WFOE 1 as his appointee to exercise all his shareholder's rights in JH Holdings Group;

(26) a school sponsors' and directors' rights entrustment agreement dated November 7, 2018 and entered into by and among Mr. Chen Yuguo (陳余國), Mr. Chen Yuchun (陳余春), Mr. Chen Yucao (陳余曹) and Mr. Chen Yutian (陳余鈿) (being the school sponsors of Jingyi Secondary School), Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian and Mr. Zhao Xiaojun (趙曉俊) (being the school directors (理事) of Jingyi Secondary School), Jingyi Secondary School and the WFOE 2, pursuant to which (i) the School Sponsors of Jingyi Secondary School irrevocably authorized and entrusted the WFOE 2 to exercise all their rights as the school sponsor of Jingyi Secondary School to the extent permitted by the PRC laws, and (ii) each of Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian and Mr. Zhao Xiaojun irrevocably authorized and entrusted the WFOE 2 to exercise all his rights as the school director of Jingyi Secondary School as appointed by the School Sponsors of Jingyi Secondary School to the extent permitted by the PRC laws;

(27) a school sponsor's power of attorney dated November 7, 2018 and executed by Mr. Chen Yuguo (陳余國) appointing the WFOE 2 as his appointee to exercise all his school sponsor's rights in Jingyi Secondary School;

(28) a school sponsor's power of attorney dated November 7, 2018 and executed by Mr. Chen Yuchun (陳余春) appointing the WFOE 2 as his appointee to exercise all his school sponsor's rights in Jingyi Secondary School;

(29) a school sponsor's power of attorney dated November 7, 2018 and executed by Mr. Chen Yucao (陳余曹) appointing the WFOE 2 as his appointee to exercise all his school sponsor's rights in Jingyi Secondary School;

(30) a school sponsor's power of attorney dated November 7, 2018 and executed by Mr. Chen Yutian (陳余鈿) appointing the WFOE 2 as his appointee to exercise all his school sponsor's rights in Jingyi Secondary School;

(31) a director's power of attorney dated November 7, 2018 and executed by Mr. Chen Yuguo (陳余國) appointing the WFOE 2 as his appointee to exercise all his director's rights in Jingyi Secondary School;

(32) a director's power of attorney dated November 7, 2018 and executed by Mr. Chen Yuchun (陳余春) appointing the WFOE 2 as his appointee to exercise all his director's rights in Jingyi Secondary School;

(33) a director's power of attorney dated November 7, 2018 and executed by Mr. Chen Yucao (陳余曹) appointing the WFOE 2 as his appointee to exercise all his director's rights in Jingyi Secondary School;

(34) a director's power of attorney dated November 7, 2018 and executed by Mr. Chen Yutian (陳余鈿) appointing the WFOE 2 as his appointee to exercise all his director's rights in Jingyi Secondary School;

(35) a director's power of attorney dated November 7, 2018 and executed by Mr. Zhao Xiaojun (趙曉俊) appointing the WFOE 2 as his appointee to exercise all his director's rights in Jingyi Secondary School;

(36) a spouse undertaking dated November 7, 2018 and executed by Ms. Zhao Xiaoyan (趙曉燕), the spouse of Mr. Chen Yuguo (陳余國), in favor of the WFOE 1, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Chen Yuguo;

(37) a spouse undertaking dated November 7, 2018 and executed by Ms. Nan Luoqiu (南洛秋), the spouse of Mr. Chen Yucao (陳余曹), in favor of the WFOE 1, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Chen Yucao;

(38) a spouse undertaking dated November 7, 2018 and executed by Ms. Zheng Suilan (鄭碎蘭), the spouse of Mr. Chen Yuchun (陳余春), in favor of the WFOE 1, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Chen Yuchun;

(39) a spouse undertaking dated November 7, 2018 and executed by Ms. Lin Yunru (林芸如), the spouse of Mr. Chen Shu (陳澍), in favor of the WFOE 1, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Chen Shu;

(40) a spouse undertaking dated November 7, 2018 and executed by Mr. Chen Yutian (陳餘鈿), the spouse of Ms. Zhang Xuli (張旭麗), in favor of the WFOE 1, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Ms. Zhang Xuli;

(41) a spouse undertaking dated November 7, 2018 and executed by Ms. Gao Nini (高妮妮), the spouse of Mr. Chen Nansun (陳南蓀), in favor of the WFOE 1, irrevocably acknowledging and consenting the signing of the Structured Contracts I by Mr. Chen Nansun;

(42) a spouse undertaking dated November 7, 2018 and executed by Ms. Zhao Xiaoyan (趙曉燕), the spouse of Mr. Chen Yuguo (陳余國), in favor of the WFOE 2, irrevocably acknowledging and consenting the signing of the Structured Contracts II by Mr. Chen Yuguo;

(43) a spouse undertaking dated November 7, 2018 and executed by Ms. Zheng Suilan (鄭碎蘭), the spouse of Mr. Chen Yuchun (陳余春), in favor of the WFOE 2, irrevocably acknowledging and consenting the signing of the Structured Contracts II by Mr. Chen Yuchun;

(44) a spouse undertaking dated November 7, 2018 and executed by Ms. Nan Luoqiu (南洛秋), the spouse of Mr. Chen Yucao (陳余曹), in favor of the WFOE 2, irrevocably acknowledging and consenting the signing of the Structured Contracts II by Mr. Chen Yucao;

(45) a spouse undertaking dated November 7, 2018 and executed by Ms. Zhang Xuli (張旭麗), the spouse of Mr. Chen Yutian (陳余鈿), in favor of the WFOE 2, irrevocably acknowledging and consenting the signing of the Structured Contracts II by Mr. Chen Yutian;

(46) a loan agreement dated November 7, 2018 and entered into by and among the WFOE 1, JH Holdings Group, Wenzhou Jiaren, Yueqing JH Investment, Yueqing Jialuo, Yueqing Jiasheng and Yueqing Jiazheng, pursuant to which the WFOE 1 agreed to extend interest-free loans to JH Holdings Group from time to time;

(47) a loan agreement dated November 7, 2018 and entered into by and among the WFOE 2, the School Sponsors of Jingyi Secondary School and Jingyi Secondary School, pursuant to which the WFOE 2 agreed to extend interest-free loans to the School Sponsors of Jingyi Secondary School from time to time;

(48) the Deed of Indemnity; and

(49) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we registered two trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1.	嘉 宏	JH Holdings Group	PRC	41	4531975	September 20, 2028
2.	嘉宏教育	Our Company	Hong Kong	41	304718791	October 30, 2028

Domain Names

As at the Latest Practicable Date, we registered the following domain name:

No.	Registrant	Domain name	Date of registration	Expiration date
1.	JH Educational Technology INC.	jheduchina.com	January 2, 2019	January 2, 2020
2.	College of Information and Business	ZCIB.EDU.CN	May 19, 2005	No expiration date
3.	Changzheng College	zjczxy.cn	March 12, 2004	March 12, 2020
4.	Changzheng College	zjczxy.com	March 26, 2006	March 26, 2020
5.	Changzheng College	zjczxy.net	March 12, 2010	March 12, 2020
6.	Changzheng College	浙江長征職業技術學院.cn xn—vhqz73ab8cyvdkyhtti8wb426eq42bb4b.cn	April 3, 2006	April 3, 2020
7.	Changzheng College	浙江長征職業技術學院.com xn—vhqz73ab8cyvdkyhtti8wb426eq42bb4b.com	May 19, 2006	May 19, 2020
8.	Changzheng College	浙江長征職業技術學院.net xn—vhqz73ab8cyvdkyhtti8wb426eq42bb4b.net	May 19, 2006	May 19, 2020
9.	Changzheng College	浙江長征職業技術學院.公司 xn—vhqz73ab8cyvdkyhtti8wb426eq42bb4b.xn—55qx5d	August 21, 2014	August 21, 2020
10.	Changzheng College	浙江長征職業技術學院.網絡 xn—vhqz73ab8cyvdkyhtti8wb426eq42bb4b.xn—io0a7i	August 21, 2014	August 21, 2020
11.	Changzheng College	浙江長征職業技術學院.網址	January 5, 2015	March 5, 2020
12.	Changzheng College	浙江長征職業技術學院.中國 xn—vhqz73ab8cyvdkyhtti8wb426eq42bb4b.xn—fiqs8s	April 3, 2006	April 3, 2020

Patents

As at the Latest Practicable Date, we registered the following patents:

No.	Owner of the patent	Name of the patent	Patent no.	Useful life	Patent category
1.	College of Information and Business	An accounting file punching device	ZL201620857094.9	By August 9, 2026	Utility model
2.	Changzheng College	A new measuring ruler for engineering cost	ZL201620607540.0	By June 20, 2026	Utility model
3.	Changzheng College	A measuring device for gas displacements	ZL201720382291.4	By April 5, 2027	Utility model
4.	Changzheng College	A flowmeter for detecting leakage of mechanical seal	ZL201720382292.9	By April 5, 2027	Utility model
5.	Changzheng College	A water-preserving system with filter	ZL201521030567.X	By December 8, 2025	Utility model

3. Further information about our PRC establishments

WFOE 1

(i)	nature of the company:	limited liability company (Taiwan, Hong Kong or Macau legal person sole investment)
(ii)	incorporation date:	January 10, 2018
(iii)	term of business operation:	from January 10, 2018 to January 9, 2048
(iv)	registered capital:	US$2 million[Note]
(v)	total amount of investment:	US$2.85 million
(vi)	attributable interest of the company:	100% of shares by JH HK
(vii)	scope of business:	the development, wholesale and retail of educational software; service outsourcing of application system management and maintenance, information technology management, software development, data processing, information technology service; information consulting for education (excluding overseas study consulting, intermediary services, educational training, vocational skills training); education management consulting; corporate management consulting, business information consulting; market information consulting, marketing planning, brand marketing planning, corporate image planning, public relations planning, committee affairs services, exhibition services; school logistics service, intellectual property agency; the wholesale and retail of computer hardware and software, commodity and office supplies (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

WFOE 2

(i)	nature of the company:	limited liability company (Taiwan, Hong Kong or Macau legal person sole investment)
(ii)	incorporation date:	September 14, 2018
(iii)	term of business operation:	from September 14, 2018 to September 13, 2048
(iv)	registered capital:	US$2 million[Note]
(v)	total amount of investment:	US$2.85 million

(vi)	attributable interest of the company:	100% of shares by JH HK
(vii)	scope of business:	the development, wholesale and retail of educational software; service outsourcing of education application system management and maintenance, information technology management, software development, data processing, information technology service; information consulting for education (excluding overseas study consulting, intermediary services, educational training, vocational skills training); education management consulting; corporate management consulting, business information consulting; market information consulting, marketing planning, brand marketing planning, corporate image planning, public relations planning, committee affairs services, exhibition services; school logistics service, intellectual property agency; the wholesale and retail of computer hardware and software, commodity and office supplies (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

Jiaxin Training

(i)	nature of the company:	limited liability company (non-natural person investment or holding corporation sole investment)
(ii)	incorporation date:	November 7, 2018
(iii)	term of business operation:	from November 7, 2018 to long term
(iv)	registered capital:	RMB500,000[Note]
(v)	attributable interest of the company:	100%
(vi)	scope of business:	training for non-fulltime secondary education curriculum; information consulting for education; intermediary services for study abroad; visa agent service, business information consulting, planning for cultural and artistic exchange activities; computer system application, management and maintenance; service outsourcing of internet information technology; market information consulting (excluding financial service, securities service and futures business service) (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

JH Holdings Group

(i)	nature of the company:	limited liability company (invested or controlled by a natural person)
(ii)	incorporation date:	June 17, 2003
(iii)	term of business operation:	from June 17, 2003 to long term
(iv)	registered capital:	RMB50 million
(v)	attributable interest of the company:	31.5% of shares by Mr. Chen Yuguo; 18% of shares by Mr. Chen Shu; 18% of shares by Mr. Chen Lingfeng; 10% of shares by Mr. Chen Yuchun; 10% of shares by Ms. Zhang Xuli; 7.5% of shares by Mr. Chen Yucao; 5% of shares by Mr. Chen Nansun.
(vi)	scope of business:	investment in education; the development, sale and technology service of educational software; internet information technology management; service outsourcing of internet information technology; education management consulting, information consulting for education, corporate management consulting, market information consulting; marketing planning, brand marketing planning, corporate image planning, public relations planning; committee affairs services, exhibition services. (projects required to be approved under the laws must obtain prior approval from the relevant department)

Changzheng College

(i)	nature of the entity:	private non-enterprise unit
(ii)	incorporation date:	May 28, 2004
(iii)	term of business operation:	from January 17, 2017 to January 17, 2021
(iv)	initial fund:	RMB21.93 million
(v)	attributable interest of the company:	53.62%
(vi)	scope of business:	higher vocational education; examination for diploma of higher education; secondary vocational education for adults

College of Information and Business

(i)	nature of the entity:	private non-enterprise unit
(ii)	incorporation date:	December 2003
(iii)	term of business operation:	from July 5, 2017 to July 4, 2021
(iv)	initial fund:	RMB10 million

(v)	attributable interest of the company:	65%
(vi)	scope of business:	higher education

Jingyi Secondary School

(i)	nature of the entity:	private non-enterprise unit
(ii)	incorporation date:	September 25, 1997
(iii)	term of business operation:	from August 29, 2016 to August 28, 2020
(iv)	initial fund:	RMB1 million
(v)	attributable interest of the company:	100% (45% of shares by Mr. Chen Yuguo, 25% of shares by Mr. Chen Yucao, 15% of shares by Mr. Chen Yuchun, 15% of shares by Mr. Chen Yutian)
(vi)	scope of business:	full time regular senior high school education

Wenzhou Jiaren

(i)	nature of the company:	limited liability company (non-natural person investment or holding corporation sole investment)
(ii)	incorporation date:	December 5, 2007
(iii)	term of business operation:	from December 5, 2007 to long term
(iv)	registered capital:	RMB20 million
(v)	attributable interest of the company:	100%
(vi)	scope of business:	investment in education (projects required license must obtain valid certificate) (projects required to be approved under the laws must obtain prior approval from the relevant department)

Yueqing JH Investment

(i)	nature of the company:	one-person limited liability company (wholly owned by corporate)
(ii)	incorporation date:	May 26, 2017
(iii)	term of business operation:	from May 26, 2017 to long term
(iv)	registered capital:	RMB9 million[Note]
(v)	attributable interest of the company:	100%

(vi)	scope of business:	investment in education (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

Yueqing Jialuo

(i)	nature of the company:	one-person limited liability company (wholly owned by corporate)
(ii)	incorporation date:	May 26, 2017
(iii)	term of business operation:	from May 26, 2017 to long term
(iv)	registered capital:	RMB5 million[Note]
(v)	attributable interest of the company:	100%
(vi)	scope of business:	investment in education (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

Yueqing Jiasheng

(i)	nature of the company:	one-person limited liability company (wholly owned by corporate)
(ii)	incorporation date:	May 26, 2017
(iii)	term of business operation:	from May 26, 2017 to long term
(iv)	registered capital:	RMB5 million[Note]
(v)	attributable interest of the company:	100%
(vi)	scope of business:	investment in education (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

Yueqing Jiazheng

(i) nature of the company:	limited liability company (non-natural person investment or holding corporation sole investment)

(ii) incorporation date:	July 2, 2018
(iii) term of business operation:	from July 2, 2018 to long term
(iv) registered capital:	RMB12 million[Note]
(v) attributable interest of the company:	100%
(vi) scope of business:	investment in education (projects required to be approved under the laws must obtain prior approval from the relevant department)

Note: The registered capital has not been fully paid.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Our non-executive Director has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing by served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group was approximately RMB1.70 million, RMB1.72 million and RMB2.00 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2016, 2017 and 2018 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 would be approximately HK$2.88 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors or chief executive in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalization Issue and the Global Offering

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures of our Company and associated corporations:

(i) Long position in our Company

		Immediately after the Global Offering and the Capitalization Issue[(1)]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding**
Mr. Chen Yuguo[(2)]	Interest in a controlled corporation	378,000,000	23.625%
Mr. Chen Shu[(3)]	Interest in a controlled corporation	216,000,000	13.50%
Mr. Chen Lingfeng[(4)]	Interest in a controlled corporation	216,000,000	13.50%
Mr. Chen Yuchun[(5)]	Interest in a controlled corporation	120,000,000	7.50%
Ms. Zhang Xuli[(6)]	Interest in a controlled corporation	120,000,000	7.50%
Mr. Chen Nansun[(7)]	Interest in a controlled corporation	60,000,000	3.75%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Chen Yuguo is the sole shareholder of Guo's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Guo's Investment Holdings Limited upon the Listing.

(3) Mr. Chen Shu is the sole shareholder of Shu's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Shu's Investment Holdings Limited upon the Listing.

(4) Mr. Chen Lingfeng is the sole shareholder of Feng's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Feng's Investment Holdings Limited upon the Listing.

(5) Mr. Chen Yuchun is the sole shareholder of Chun's Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by Chun's Investment Holdings Limited upon the Listing.

(6) Ms. Zhang Xuli is the sole shareholder of ZXL Investment Holdings Limited and she is therefore deemed to be interested in the Shares held by ZXL Investment Holdings Limited upon the Listing.

(7) Mr. Chen Nansun is the sole shareholder of CNS Investment Holdings Limited and he is therefore deemed to be interested in the Shares held by CNS Investment Holdings Limited upon the Listing.

(ii) Long position in associated corporations

JH Holdings Group

		Immediately after the Global Offering and the Capitalization Issue[(1)]	
Name	**Capacity/Nature of interest**	**Amount of registered capital**	**Approximate percentage of shareholding**
Mr. Chen Yuguo	Beneficial owner	RMB15.75 million	31.50%
Mr. Chen Shu	Beneficial owner	RMB9 million	18.00%
Mr. Chen Lingfeng	Beneficial owner	RMB9 million	18.00%
Mr. Chen Yuchun	Beneficial owner	RMB5 million	10.00%
Ms. Zhang Xuli	Beneficial owner	RMB5 million	10.00%
Mr. Chen Nansun	Beneficial owner	RMB2.5 million	5.00%

Note:

(1) Assuming the Over-allotment Option is not exercised.

Jingyi Secondary School

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue[(1)]	
		Amount of registered capital	Approximate percentage of shareholding
Mr. Chen Yuguo	Beneficial owner	RMB0.45 million	45.00%
Mr. Chen Yuchun	Beneficial owner	RMB0.15 million	15.00%

Note:

(1) Assuming the Over-allotment Option is not exercised.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the issued voting shares carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Interests and short positions in our Company and other members of our Group

Long position in our Company

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue[(1)]	
		Number of Shares	Approximate percentage of shareholding
Mr. Chen Yucao	Beneficial owner	750	7.5%

Note:

(1) Assuming the Over-allotment Option is not exercised.

Long position in Jingyi Secondary School

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1)	
		Amount of capital	Approximate percentage of shareholding
Mr. Chen Yucao	Beneficial owner	RMB0.25 million	25.00%
Mr. Chen Yutian	Beneficial owner	RMB0.15 million	15.00%

Note:

(1) Assuming the Over-allotment Option is not exercised.

Long position in Changzheng College

Name	Capacity/Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1)	
		Amount of capital	Approximate percentage of shareholding
Hangzhou Changzheng Vocational School* (杭州長征業餘學校)	Beneficial owner	RMB17.30 million	46.38%
Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會)	Interest in a controlled corporation(2)	RMB17.30 million	46.38%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) The school sponsor's interest in Hangzhou Changzheng Vocational School* (杭州長征業餘學校) was 100% owned by Zhejiang Provincial Committee of the Chinese Kuomintang Revolutionary Committee* (中國國民黨革命委員會浙江省委員會).

Long position in College of Information and Business

Name	Immediately after the Global Offering and the Capitalization Issue(1)	
	Capacity/Nature of interest	Approximate percentage of shareholding
Zhongyuan University of Technology* (中原工學院)	Beneficial owner	35%

Note:

(1) Assuming the Over-allotment Option is not exercised.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries; and

(f) none of our Directors or their close associates or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholder of our Company passed on May 30, 2019 and adopted by a resolution of the Board on May 30, 2019 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

Our Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of our Company whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the "Eligible Persons").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 160,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued Shares from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued Shares from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of the Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

7. Restriction on the time of grant of Options

Our Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of our Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible

Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set out in the Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the option period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as our Board may determine;

(ii) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time and none of the events for termination of employment or engagement under paragraph (v) exists with respect to such grantee, his Option (to the extent not already exercised) shall be exercisable up to the grantee's entitlement immediately prior to his retirement until the expiry of the relevant option period;

(iii) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;

(iv) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(v) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's Option has lapsed pursuant to this paragraph (v) shall be final and conclusive;

(vi) if a grantee being:

(1) an executive Director of our Company ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or

(2) a non-executive Director ceases to be a Director:

(a) by reason of non-executive Director retirement, his Option (to the extent not already exercised) shall be exercisable up to the grantee's entitlement immediately prior to his retirement until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or

(b) for reasons other than non-executive Director retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(vii) if:

(1) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person;

(2) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (1)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the determination of our Board (in the case of (1)) or the failure of the grantee to satisfy or comply with the criteria or terms and conditions attached to the grant of the Option or which were the basis on which the Option was granted (in the case of (2)) within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (1), a resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (vii) shall be final and conclusive;

(viii) if a grantee (being a corporation):

(1) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or

(2) has suspended, ceased or threatened to suspend or cease business; or

(3) is unable to pay its debts; or

(4) otherwise becomes insolvent; or

(5) suffers a change in its constitution, management, directors or shareholding which in the opinion of our Board is material; or

(6) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or threatened suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or otherwise becomes insolvent or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (1) to (6) of this paragraph within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (viii) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

(ix) if a grantee (being an individual):

(1) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of

the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or

(2) has made any arrangement or composition with his creditors generally; or

(3) has been convicted of any criminal offence involving his integrity or honesty; or

(4) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable up to the grantee's entitlement immediately prior to the occurrence of any of the event(s) mentioned in paragraphs (1) to (4) of this paragraph within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (ix) for breach of contract as aforesaid shall be final and conclusive;

(x) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(xi) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

(1) the option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph (xi), all Options outstanding at the expiry of the relevant period referred to in this paragraph (xi) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

(xii) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme – 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the Share Option Scheme with respect to the exercise of the Option; and

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to our Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Offer and grant of Options

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice:

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to our Board for the Option to be canceled; or

(c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or a subsidiary.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by our Board pursuant to the Share Option Scheme to administer the day-to-day running of the Share Option Scheme; and

(d) any alteration to the aforesaid alteration provisions provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of, and permission to deal in, a maximum of 160,000,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of dealing in our Shares on the Stock Exchange; and

(d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) our Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 160,000,000 Shares which may be issued pursuant to the exercise of the Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Mr. Chen Yuguo, Mr. Chen Yuchun, Mr. Chen Yucao, Mr. Chen Yutian, Mr. Chen Shu, Mr. Chen Lingfeng, Mr. Chen Nansun, Ms. Zhang Xuli, Guo’s Investment Holdings Limited, Chun’s Investment Holdings Limited, Cao’s Investment Holdings Limited, Shu’s Investment Holdings Limited, Feng’s Investment Holdings Limited, CNS Investment Holdings Limited and ZXL Investment Holdings Limited have entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, penalties, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix IA to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended December 31, 2016, 2017 and 2018 (the "Accounts"); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after December 31, 2018 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective changes in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts which is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the defects relating to properties as disclosed in the section headed "Business – Properties" and the non-compliances as disclosed in the section headed "Business – Legal Proceedings and Compliance" in this prospectus.

2. Litigation

As of the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately RMB427,397 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US$500,000 to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since December 31, 2018 (being the date to which our latest audited consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Macquarie Capital Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Asia-Pacific Consulting and Appraisal Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the WHITE, YELLOW and GREEN Application Forms, the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V and copies of the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report of our Group prepared by Ernst & Young, the text of which is set out in Appendix IA to this prospectus;

(3) the Accountants' Report of College of Information and Business prepared by Ernst & Young, the text of which is set out in Appendix IB to this prospectus;

(4) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2016, 2017 and 2018;

(5) the reports received from Ernst & Young on unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(6) the letter, summary of values and valuation certificates relating to our property interests prepared by Asia-Pacific Consulting and Appraisal Limited, the texts of which are set out in Appendix III to this prospectus;

(7) the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the material contracts" in Appendix V to this prospectus;

(8) the service contracts and letters of appointment with our Directors, referred to in the paragraph headed "D. Further Information about our Directors – 1. Directors' service contracts and letters of appointment" in Appendix V to this prospectus;

(9) the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V to this prospectus;

(10) the PRC legal opinions prepared by Jingtian & Gongcheng, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(11) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(12) the industry report prepared by Frost & Sullivan;

(13) the Cayman Islands Companies Law; and

(14) the rules of the Share Option Scheme.