SHANGHAI GENCH EDUCATION GROUP LIMITED
上海建橋教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1525

GLOBAL OFFERING

Sole Sponsor

MACQUARIE

Joint Global Coordinators

MACQUARIE

海通國際 HAITONG

Joint Bookrunners and Joint Lead Managers

MACQUARIE

海通國際 HAITONG

安信國際 ESSENCE INTERNATIONAL

建银国际 CCB International

中國銀河國際 CHINA GALAXY INTERNATIONAL

交銀國際 BOCOM International

感恩 回报 爱心 责任

IMPORTANT

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

SHANGHAI GENCH EDUCATION GROUP LIMITED
上海建橋教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	:	**100,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**10,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**90,000,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	:	**Not more than HK$7.73 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1525**

Sole Sponsor

MACQUARIE

Joint Global Coordinators

MACQUARIE

海通國際 HAITONG

Joint Bookrunners and Joint Lead Managers

MACQUARIE 海通國際 HAITONG 安信國際 ESSENCE INTERNATIONAL 建银国际 CCB International 中國銀河國際 CHINA GALAXY INTERNATIONAL 交銀國際 BOCOM International

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

The Offer Price is expected to be determined by agreement between the Sole Representative, for itself and on behalf of the Underwriters, and our Company on or before Thursday, January 9, 2020 or such later time as may be agreed between the parties, but in any event, no later than Tuesday, January 14, 2020. If, for any reason, the Sole Representative, for itself and on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Tuesday, January 14, 2020, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$7.73 per Share and is expected to be not less than HK$6.05 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$7.73 for each Offer Share together with brokerage of 1.0%, 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$7.73. The Sole Representative, for itself and on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.genchedugroup.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 Representative, for itself and on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in its absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for Termination". It is important that you refer to that section for further details.

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

December 31, 2019

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(note 4)*	11:30 a.m. on Thursday, January 9, 2020
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Thursday, January 9, 2020
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 3)*	12:00 noon on Thursday, January 9, 2020
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 Thursday, January 9, 2020
Application lists close *(note 2)*	12:00 noon on Thursday, January 9, 2020
Expected Price Determination Date *(note 6)*	Thursday, January 9, 2020
Announcement of the Offer Price, the indications of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published at the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.genchedugroup.com** on or before *(note 7)*	Wednesday, January 15, 2020
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. (See "How to Apply for Hong Kong Offer Shares – Publication of results") from	Wednesday, January 15, 2020
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"	Wednesday, January 15, 2020
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before *(notes 5 & 8)*	Wednesday, January 15, 2020
Despatch of White Form e-Refund payment instructions/refund cheques on or before *(notes 7, 8, 9, & 11)*	Wednesday, January 15, 2020

Dealings in Shares on the Main Board of the Stock Exchange to commence on . . . . 9:00 a.m. on Thursday, January 16, 2020

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

(2) If there is/are a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 9, 2020, the application lists will not open and close on that day. Further information is set out in "How to Apply for Hong Kong Offer Shares – Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Thursday, January 9, 2020, the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by us in such event.

(3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" for details.

(4) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Thursday, January 16, 2020, 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. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates become valid certificates do so entirely at their own risk.

(6) The Offer Price is expected to be determined by Thursday, January 9, 2020 but in any event, the expected time for determination of the Offer Price will not be later than Tuesday, January 14, 2020. If, for any reason, the Offer Price is not agreed between the Sole Representative, for itself and on behalf of the Underwriters, and our Company by Tuesday, January 14, 2020, the Global Offering will not proceed and will lapse.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

(8) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required on their Application Forms may collect any refund cheque(s) 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, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, January 15, 2020. Applicants being individuals who apply for 1,000,000 Hong Kong Offer Shares or more and is eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and is eligible for personal collection must attend by their authorized representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection.

(9) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect their refund cheque(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 cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.

(10) Applicants who apply for Hong Kong Offer Shares via **White Form eIPO** should refer to the section headed "How to Apply for Hong Kong Offer Shares – Refund of application monies".

(11) Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant applications. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares – Despatch/collection of share certificates and refund monies".

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure of the Global Offering".

IMPORTANT NOTICE TO INVESTORS

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

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

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 this 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 operate the leading private university in Shanghai, which is also a leading private university in the entire Yangtze River Delta, as measured by the total number of full-time students enrolled. According to the Frost & Sullivan Report, our Shanghai Jian Qiao University (上海建橋學院 "our University") was:

- the largest private university in Shanghai in terms of full-time student enrollment in the 2018/19 school year,
- the fourth largest in the Yangtze River Delta in terms of full-time student enrollment in the 2018/19 school year, and
- the fastest growing university in terms of full-time student enrollment among the top five largest private universities in the Yangtze River Delta from 2015 to 2018.

We experienced steady growth in our revenue, gross profit and full-time student enrollment during the Track Record Period. Our revenue for the years ended December 31, 2016, 2017 and 2018, was approximately RMB291.7 million, RMB357.0 million, and RMB424.6 million, respectively. Our revenue for the six months ended June 30, 2018 and 2019 was approximately RMB216.5 million and RMB254.2 million, respectively. Our gross profit for the years ended December 31, 2016, 2017 and 2018 was approximately RMB124.9 million, RMB163.4 million, and RMB222.2 million, respectively. Our gross profit for the six months ended June 30, 2018 and 2019 was approximately RMB116.2 million and RMB147.3 million, respectively. Our profit and total comprehensive income for the years ended December 31, 2016, 2017 and 2018 was approximately RMB12.9 million, RMB46.0 million, and RMB108.6 million, respectively. Our profit and total comprehensive income for the six months ended June 30, 2018 and 2019 was approximately RMB50.1 million and RMB81.0 million, respectively.

OUR UNIVERSITY

In June 2000, we established the predecessor of our University, namely, Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院), as a private school that mainly provided higher vocational education at junior college level (專科層次高等職業教育). In 2005, it was transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to Shanghai Jian Qiao University (上海建橋學院).

During the Track Record Period and up to the Latest Practicable Date, we operated a single university, Shanghai Jian Qiao University, through Contractual Arrangements. Our University provides high-quality education to our students with a focus on applied sciences. Our comprehensive curriculums, which encompass a broad range of practical major offerings, are designed to equip our students with practical skills and enable them to meet the demands of the rapidly evolving job market. We develop our courses and majors based on extensive market research we conduct to determine demand in the job market. As of September 30, 2019, our University offered 54 majors and concentrations in its formal undergraduate program in a wide range of areas, and an additional 13 majors and concentrations in its junior college program. We collaborate closely with enterprise partners and have established school-industry collaboration programs, including two MOE industrial and education integrated innovation bases, to help our students acquire readily applicable skills and find desirable employment. As a result, graduating students from our University have achieved extremely high initial employment rates, which were 99.3%, 99.8%, 99.0%, and 99.0%, as of August 25, 2016, 2017, 2018 and 2019, respectively. These initial employment rates of our graduating students were significantly higher than the overall average for higher education institutions in China, according to the Frost & Sullivan Report.

SUMMARY BUSINESS OPERATING DATA

The following table sets forth the average tuition fee and the average boarding fee for our University for the periods indicated:

	Average tuition fee and average boarding fee				
	Year ended December 31,[1]			Six months ended June 30,[3]	
	2016	2017	2018	2018	2019
			(RMB)		
Average Tuition Fee	16,614	18,480	20,533	11,400	12,515
Average Boarding Fee[2]	2,301	2,599	3,004	1,577	1,716

Notes:

(1) Average tuition fee and average boarding fee for the years ended December 31, 2016, 2017 and 2018, are calculated by dividing total revenue generated from tuition fees and boarding fees, respectively, of full-time students (not including part-time students in the continuing education program), for the year using the number of our full-time students enrolled as of September 30 of such year.

(2) The reason that our average boarding fee was lower than our current boarding fee rate of RMB3,600 was because we raised our boarding fee rate to RMB3,600 in 2016 which was only applicable to newly admitted students since that year. Our programs generally range from three to four years. For the year ended December 31, 2018, only students from class 2016 to class 2018 were subject to this new rate. The previous boarding fee rate was still applicable to students who were admitted in 2015.

(3) Average tuition fee and average boarding fee for the six months ended June 30, 2018 and 2019 are calculated by dividing total revenue generated from tuition fees and boarding fees, respectively, of full-time students (not including part-time students in the continuing education program) using the number of our full-time students enrolled as of September 30 of the previous calendar year.

The following table sets forth information relating to our full time student enrollment, capacity and school utilization rate for our University for the periods indicated:

	Student enrollment(1)				
	School year				
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Undergraduate program	11,435	12,304	13,523	14,782	16,304
Junior college program	2,338	2,358	2,606	2,439	2,642
Junior college/ undergraduate program	526	484	433	587	911
Total	14,299	15,146	16,562	17,808	19,857

School year	School capacity(2)	School utilization rate(3)
		(%)
2015/2016	18,008	79.4
2016/2017	18,008	84.1
2017/2018	18,008	92.0
2018/2019	18,008	98.9
2019/2020	22,008	90.2

Notes:

* The student enrollment information was based on the internal records of our University.

(1) Although our financial year ends on December 31, our school year generally ends on August 31. For consistency purposes, we use September 30 of the first calendar year to present student enrollment for each school year. Student enrollment figures do not include international students enrolled in our international design college.

(2) We generally require all full-time students of our University to live on campus. As a result, our school capacity for the relevant school years is limited by and presented as the number of beds available in student dormitories at our University. Two newly-constructed dormitories containing an additional 4,000 beds were put to use in the 2019/2020 school year. As a result, the school capacity of our University increased by 4,000.

(3) The school utilization rate equals to the total student enrollment for a school year divided by the school capacity for the same school year multiplied by 100.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) we operate the largest private university in Shanghai which is also a leading private university in the Yangtze River Delta, with a history of successful growth; (ii) we are well-positioned to benefit from expected increasing demand for private higher education in Shanghai; (iii) we have extremely high initial employment rates as a result of our focus on providing students with market-oriented course offerings; (iv) we have developed cooperative relationships with international institutions; (v) we provide quality-oriented education aimed at promoting all-around education of our students; and (vi) we have an experienced management team with a proven track record, complemented by a highly qualified teaching team. See "Business – Our Competitive Strengths" in this prospectus for details.

OUR BUSINESS STRATEGIES

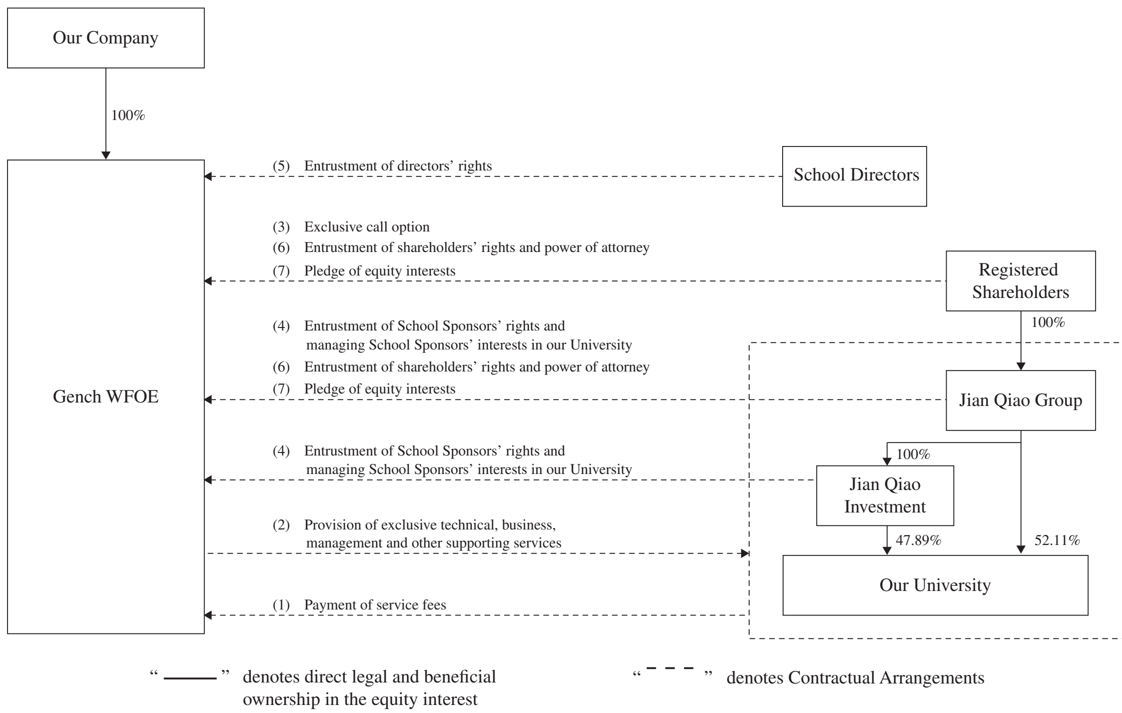
We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) enhance our profitability by optimizing our pricing and increasing student enrollment at our University; (ii) expand our school network and increase our market penetration; (iii) further expand our educational service offerings to capture growth opportunities; and (iv) continue to attract and retain qualified teachers. See "Business – Our Business Strategies" in this prospectus for 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, and the six months ended June 30, 2019. Our suppliers primarily consist of construction service providers, enterprise partners who provide training to our students, technology service providers, professional service providers related to the Listing, and teaching equipment suppliers. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, purchases from our five largest suppliers amounted to RMB21.4 million, RMB12.2 million, RMB81.7 million, and RMB156.8 million, respectively, accounting for 22.7%, 17.8%, 47.6% and 70.1% of our total purchases for the corresponding periods. For the same periods, purchases from our largest supplier amounted to RMB5.7 million, RMB3.2 million, RMB48.7 million, and RMB125.9 million, respectively, accounting for 6.1%, 4.7%, 28.4% and 56.2% of our total purchases for the relevant periods. Our largest two suppliers in 2018 and the largest supplier in 2019 were construction service providers. The amount of purchases from our five largest suppliers and from our largest supplier went up due to the construction services we procured for the four buildings under construction on our current campus.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our University and/or our School Sponsors to our Group stipulated under the Contractual Arrangements. See "Contractual Arrangements – Operation of the Contractual Arrangements" in this prospectus for further details.



THE CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), the Controlling Shareholders, namely, Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, She De Limited, Gan En Limited, Ze Ren Limited and Tuan Jie Limited will together control the exercise of the voting rights of approximately 38.29% of the Shares eligible to vote in the general meeting of our Company. The Directors are satisfied that our Group is capable of carrying out its business independently from the Controlling Shareholders and their associates. See "Relationship with our Controlling Shareholders" in this prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

The following table sets forth our summary consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018, and as of and for the six months ended June 30, 2018 and 2019. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of the Group in Appendix I to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected Consolidated Statements of Profit or Loss Data

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(RMB in thousands)				
Revenue	291,650	356,967	424,587	216,475	254,211
Gross profit	124,903	163,361	222,215	116,244	147,307
Profit before taxation	14,174	47,508	110,173	50,949	81,469
Profit and total comprehensive income for the year/period	12,885	46,043	108,575	50,146	80,998

Our revenue increased over the Track Record Period primarily due to the increase in our student enrollment and the increase in the number of students subject to the higher tuition fee rates raised in 2015 and the higher boarding fee rate raised in the 2016/2017 school year, both of which were only applicable to newly admitted students since that year. Our profit and total comprehensive income for the year/period increased over the Track Record Period primarily due to greater increases in student enrollment and resultant increases in tuition fees and boarding fees than increases in the number of teaching staff and resultant salary costs, and to greater economies of scale, as fixed costs such as depreciation and amortization expenses remained relatively stable. The 2015 tuition fee raise ceased to bring further growth in average tuition fee after the 2018/2019 school year, before which all the students subject to lower tuition fee rates prior to the 2015 raise were scheduled to graduate. We increased the tuition rate for approximately one quarter of the majors and concentrations offered by our University in the 2019/2020 school year, which only applies to newly admitted students since the 2019/2020 school year. However, we may not be able to increase our revenue or profit in the future if we are unable to maintain or increase tuition and boarding fee rates, and we may not be able to maintain the same level of growth rates in revenue and profit in the future. See "Risk Factors – 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", and "Risk Factors – Our historical financial and operating results may not be indicative of our future performance".

During the Track Record Period, we were not required to pay the PRC enterprise income tax in respect of income we received from the provision of formal educational services. Following the execution of the Contractual Arrangements, Gench WFOE is currently subject to PRC enterprise income tax at a rate of 25% and value-added tax at a rate of 6% in respect of service fees it receives from the PRC Affiliated Entities. See "Financial Information – Key Components of our Results of Operations – Income Tax Expenses" for details. Had such taxes applied to us during the Track Record Period, we estimate that, based on current prevailing laws and regulations, our net profit would have decreased by approximately 39.5%, 26.1%, 21.3% and 24.6% for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, in the worst case scenario.

Non-IFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income 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 operating performance. We also believe that such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted net profit eliminates the effect of listing-related expenses, which is a non-recurring item. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance. The following table reconciles our adjusted net profit for the year/period presented to profit for the year/period, the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Profit and total comprehensive income for the year/period	12,885	46,043	108,575	50,146	80,998
Add:					
Listing expenses	–	–	8,095	4,370	9,189
Adjusted net profit	12,885	46,043	116,670	54,516	90,187

Selected Consolidated Statements of Financial Position Data

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Current assets	756,999	835,809	470,323	213,178
Current liabilities	1,436,719	1,326,599	720,346	540,926
Net current liabilities	(679,720)	(490,790)	(250,023)	(327,748)
Total non-current assets	2,349,760	2,289,581	2,324,304	2,485,843
Total equity	645,474	691,517	889,892	970,890

As of December 31, 2016, 2017 and 2018, and June 30, 2019 we had net current liabilities of RMB679.7 million, RMB490.8 million, RMB250.0 million, and RMB327.7 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we recorded large amounts of contract liabilities, which primarily consisted of tuition and boarding fees received from students at the beginning of each school year that had not been recognized as revenue as of the respective dates; (ii) we had significant amounts of bank loans that were incurred mainly to support the construction of our current campus; and (iii) we had significant amounts of other payables, deposits received and accruals in relation to the construction of our current campus. See "Risk Factors – We recorded net current liabilities during the Track Record Period and may record net current liabilities in the future". We expect to improve our net current liabilities position by receiving cash generated from our operations and the net proceeds from the Global Offering.

Selected Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(RMB in thousands)				
Operating cash flow before changes in working capital	94,388	124,055	171,929	88,166	114,293
Net cash flows from/(used in) operating activities	110,090	54,901	207,588	(175,704)	(104,400)
Net cash flows from/(used in) investing activities	26,754	(160,503)	(51,946)	151,738	(143,170)
Net cash flow from/(used in) financing activities	99,605	(121,113)	246,835	337,751	900
Net increase/(decrease) in cash and cash equivalents	236,449	(226,715)	402,477	313,785	(246,670)
Cash and cash equivalents at beginning of year/period	29,867	266,316	39,601	39,601	442,078
Cash and cash equivalents at end of year/period	266,316	39,601	442,078	353,386	195,408

Our cash outflows for the six months ended June 30, 2018 and 2019 were primarily due to the effect of seasonality as our University typically receives most of our tuition fees and boarding fees from students in the second half of the year while our University still needs to pay staff salaries and utility expenses in the first half of the year to support its daily operation. We expect our cash flow position will improve in the second half of the year as we receive tuition and boarding fees for the new school year in the normal course of our business. We will also receive the net proceeds from the Global Offering and will consider raising additional funds through bank loans and other borrowings as needed.

As of December 31, 2016, 2017 and 2018, and June 30, 2019, we had cash and cash equivalents of RMB266.3 million, RMB39.6 million, RMB442.1 million, and RMB195.4 million, respectively. We believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this prospectus, and are able to continue our business as a going concern in light of the net current liabilities during the Track Record Period, after taking into account (i) the estimated net proceeds of the

Global Offering; (ii) cash flows generated from our operations; (iii) existing bank facilities and the fact that we have been able to obtain financing facilities during the Track Record Period; and (iv) we have been accumulating net profits since the beginning of the Track Record Period.

Government Grants

For the years ended December 31, 2016, 2017 and 2018, our other income and gains from government grants was RMB0.7 million, RMB10.9 million and RMB15.1 million, respectively, which was recognized upon receipt. Our other income and gains from government grants recognized upon receipt was RMB3.4 million and RMB1.5 million for the six months ended June 30, 2018 and June 30, 2019, respectively. Such government grants mainly were in relation to incentivizing the development of the local economy, primarily coming in the form of refunds from the local government of Shanghai Pudong New Area on income tax and value-added tax we paid which was in relation to our disposal of land and buildings on our previous campus. See "Financial Information – Campus Relocation" for details of these government grants.

Government grants we received are not guaranteed and may fluctuate from time to time due to changes in local policies and the financial condition of the relevant local government.

Key Financial Ratios

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2016	2017	2018	2019
Gross profit margin	42.8%	45.8%	52.3%	57.9%
Net profit margin	4.4%	12.9%	25.6%	31.9%
Return on assets	0.4%	1.5%	3.9%	6.0%
Return on equity	2.0%	6.7%	12.2%	16.7%
Current ratio	0.5	0.6	0.7	0.4
Interest coverage ratio	1.3	1.9	2.9	4.5
Net debt to equity ratio	1.4	1.9	0.8	1.0
Gearing ratio(1)	1.8	2.0	1.3	1.2
Total debt to assets ratio	0.4	0.4	0.4	0.4

Note:

(1) Gearing ratio equals total debt as of the end of the year/period divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since June 30, 2019 and up to the date of this prospectus, our business remained stable and in line with the past trends and our expectations. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC private education industry in which we operate that may have a material adverse effect on our business operations and financial position.

Increase of Tuition Fee Rates For Certain Majors

In June 2019 we announced an increase in tuition for approximately one quarter of the majors and concentrations offered by our University. Such increase corresponded to our efforts to upgrade these subjects by offering a more comprehensive curriculum and international teaching methods. Tuition rates for these majors and concentrations increased from RMB23,000 to RMB30,000 per student per school year, starting in the 2019/2020 school year. Only students admitted since the 2019/2020 school year will pay such increased tuition rates.

However, the 2015 tuition fee raise ceased to bring further growth in average tuition fee after the 2018/2019 school year, before which all the students subject to lower tuition fee rates prior to the 2015 raise were scheduled to graduate, and the impact of the 2015 raise had been fully reflected in the growth in revenue and profit during the Track Record Period. We will not maintain the same level of growth rates in revenue and profit in 2019, and we may not be able to maintain the same level of growth rates in revenue and profit going forward.

Establishment of Gench WFOE and Contractual Arrangements

On December 11, 2018, Gench WFOE entered into a series of agreements that constitute the Contractual Arrangements with, among others, our PRC Affiliated Entities, under which all economic benefits arising from the business of our PRC Affiliated Entities are transferred to Gench WFOE by means of service fees payable by our PRC Affiliated Entities to Gench WFOE.

We were not required to pay PRC enterprise income tax in respect of income we received from the provision of formal educational services during the Track Record Period. Following the execution of the Contractual Arrangements, Gench WFOE is currently subject to the PRC enterprise income tax rate of 25% and value-added tax of 6% in respect of the service fees it receives from our PRC Affiliated Entities. Such tax rates are subject to change and may have a significant impact on our profitability. In addition, to incentivize the development of the local economy, Shanghai Lingang Enterprise Services Bureau* (上海臨港地區企業服務局) agreed to provide Gench WFOE government grants going forward. We received a letter from such authority on December 12, 2018, confirming that Gench WFOE will be able to enjoy such government grants amounting to 22.75% of the total amount of the value-added tax to be paid by Gench WFOE and 14% of the total amount of the enterprise income tax to be paid by Gench WFOE. However, this arrangement is subject to any policy change by the government and we cannot assure you for how long or if we will be able to enjoy such government grants. See "Risk Factors – The unavailability of any preferential tax treatments currently enjoyed by our University could materially and adversely affect our results of operations."

Foreign Investment Law

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and will take effect on January 1, 2020. The Foreign Investment Law does not explicitly stipulate contractual arrangements such as our Contractual Arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not consider contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

Based on the foregoing and subject to the assumptions, qualifications and risks set out in the section headed "Risk Factors – Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations," our Directors do not currently expect the Foreign Investment Law will have a material negative effect on our Group's operational and financial performance.

For details of the Foreign Investment Law and the Negative List and its potential impact on our Company, please see "Risk Factors – Risks Relating to Our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations", and "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" in this prospectus.

Our Directors confirm that, since June 30, 2019 (being the date on which the latest consolidated financial information of our Group was prepared) and up to the date of this prospectus, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report of the Group set forth in Appendix I to this prospectus. During the same periods, our results of operations were largely in line with our expectations.

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTING RULES AND REGULATIONS

2016 Decision and related implementing rules and regulations

Pursuant to the 2016 Decision which took effect on September 1, 2017, private schools will no longer be classified as either schools for which school sponsor(s) require reasonable returns or schools for which school sponsor(s) do not require reasonable returns. Instead, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit.

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the State level in December 2016 and August 2017.

On December 26, 2017, the People's Government of Shanghai promulgated the Shanghai Opinion and the Shanghai Licensing Measures, pursuant to which further requirements are implemented in light of the 2016 Decision, which include but are not limited to, the requirement that school sponsors of private schools (other than schools providing compulsory education) established and registered in Shanghai prior to November 7, 2016 shall submit in writing their decisions to convert into for-profit or non-profit schools by December 31, 2018 and complete the conversion to a non-profit school by December 31, 2019 and to a for-profit school by December 31, 2021 for higher education institutions. See "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for details.

Potential Impact on us of the 2016 Decision and Related Implementing Rules

Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in December 2018, the School Sponsors of our University have submitted their decision to the Shanghai Municipal Education Commission to register as a for-profit private school. Pursuant to the 2016 Decision, school sponsor(s) of a private school may freely at its own discretion choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. Our PRC Legal Advisors are thus of the view that our University would be able to be registered as a for-profit private school. As such, the potential impact of the 2016 Decision and related implementing rules includes the following:

- *The rights and interests of the school sponsors of our University 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 University shall have the discretion to determine the standards and types of the fees to be charged by our University* – in accordance with the 2016 Decision, as the School Sponsors of our University have decided to register our University as a for-profit private school, our University would be entitled to make its own decisions about the standards and types of the fees to be charged by our University based on our University's operating costs and market demand;

- *Tax implications on our PRC Affiliated Entities* – according to our consultation with Shanghai Pudong New Area Tax Service, State Administration of Taxation* (國家稅

務總局上海市浦東新區稅務局), which is the competent tax authority of our PRC Affiliated Entities as advised by our PRC Legal Advisors, we understand that receipt of reasonable service fees by Gench WFOE with reference to market price in respect of the service provided to our PRC Affiliated Entities pursuant to the Contractual Arrangements and in accordance with the relevant tax laws and regulations will not be regarded as transfers of profits of our PRC Affiliated Entities to Gench WFOE or tax evasion or distribution of operating profits by our PRC Affiliated Entities. As advised by our PRC Legal Advisor, there remain uncertainties in the interpretation and application of the 2016 Decision with respect to various aspects of the operations of a private school, such as the respective preferential tax treatment which may be enjoyed by for-profit private schools and non-profit private schools. We may not be able to fully evaluate or quantify the potential impact that the implementation of the 2016 Decision may have on our business operations at this stage. We will closely monitor the progress of the promulgation of the implementation regulations under the 2016 Decision and seek legal advice from our legal advisors from time to time and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate;

- *There may be increased uncertainties about the extent of the benefits to be provided by relevant government authorities* – for instance, according to the 2016 Decision, land shall be supplied to newly established or expanded non-profit private schools by the government through allocation or other means in accordance with the same preferential treatment as public schools, while land shall be supplied by the government to for-profit private schools in accordance with relevant regulations as stipulated by the State. Accordingly, there exist uncertainties regarding the benefit that we may be provided by the government and the costs for a for-profit school to obtain land use rights;

- *Our University will be subject to the requirements of applying for re-registration* – according to the Implementing Rules for Classification Registration of Private Schools and the Shanghai Licensing Measures, 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 and complete the conversion to a for-profit school by December 31, 2021 for higher education institutions. 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 provinces, autonomous regions or municipalities in the PRC. The registration authority shall, in accordance with applicable regulations, register the private schools that meet the requirements of registration and issue to them relevant business licenses.

As advised by our PRC Legal Advisors, despite the aforesaid implementing rules relating to 2016 Decision, there remain uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a for-profit private school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by local authorities in Shanghai and (ii) specific conditions or requirements in respects of any preferential tax treatment which for-profit schools may enjoy have not been promulgated by relevant authorities. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

Potential Implications of the MOJ Draft for Review if it Becomes Effective

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments. On August 10, 2018, the MOJ issued the MOJ Draft for Review, based on a revised version of the MOE Draft for Comments, to seek public comments. The MOJ Draft for Review 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.

The MOJ Draft for Review also made certain significant changes to some provisions of the 2004 Implementing Regulations which may affect private schools. In particular, the MOJ Draft for Review stipulates further provisions of the operation and management of private schools including, among other things, (i) for-profit private schools 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; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be of an amount no less than RMB200 million. See "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus for further details.

After the publication of MOJ Draft for Review for public comments, with the assistance of our PRC Legal Advisors, we consulted the Shanghai Municipal Education Commission, being the competent authority in relation to this subject matter as advised by our PRC Legal Advisors, to understand the local regulator's understanding of the key provisions of the MOJ Draft for Review. Please refer to "Business – Potential Implications of the 2016 Decision and Related Implementing Rules and Regulations – Potential implications of the MOJ Draft for Review if it becomes effective" for more details. Based on the government consultation and having regard to the advice from our PRC Legal Advisors, as of the Latest Practicable Date, our Directors considered that the potential impact of the MOJ Draft for Review on us includes the following:

With respect to our existing group structure – Based on our current understanding and interpretation of the MOJ Draft for Review, (i) the MOJ Draft for Review would not have any substantial impact on the regulatory framework of our University; and (ii) in December 2018, the school sponsors of our University have submitted their decision to Shanghai Municipal Education Commission to register as a for-profit private school.

In addition, according to Clause 21 of the MOJ Draft for Review, the minimum registered capital for a private school providing higher education for academic qualifications shall be RMB200 million. As of the Latest Practicable Date, our University had start-up capital (開辦資金) of RMB50 million and paid-up capital of RMB710 million. As confirmed by the relevant official during our consultation with the relevant education authority, (i) if the MOJ Draft for Review were promulgated in the form as published, it is only applicable to newly-established schools and therefore our University would not be required to meet the aforementioned minimum registered capital requirement of RMB200 million when it registers as a for-profit school; and (ii) given that the paid-up capital of our University has already exceeded the aforementioned minimum registered capital requirement of RMB200 million, our University does not need to further increase its capital for the purpose of complying with such requirement, and our University can request to register its paid-up capital as registered capital when it registers as a for-profit private school. Based on the aforesaid government consultation, our PRC Legal Advisors have advised us that, if the future laws, regulations, policies and other legal requirements as well as the interpretation and enforcement by the competent authorities are consistent with the above consultation, our University does not need to increase its registered capital to no less than RMB200 million when it registers as a for-profit private school, but there are uncertainties as to the content of the final version of the MOJ Draft for Review and the specific requirements that may be imposed by the relevant authorities in the future.

Our future acquisitions may be subject to more stringent regulations – According to Clause 12 of the MOJ Draft for Review, social organizations which adopt centralized school management models are not allowed to control non-profit private schools through ways such as mergers and acquisitions, franchising or "contractual arrangements". Therefore, as advised by our PRC Legal Advisors and confirmed by the relevant official during the government consultation, if the MOJ Draft for Review is eventually adopted in its current form, Jian Qiao Group and Jian Qiao Investment may not be able to acquire non-profit schools held by others using methods such as mergers or acquisitions, franchises or "contractual arrangements". Our acquisition scope may also be limited. We may acquire schools that have been registered as for-profit private schools and we may not be able to acquire schools that have already been registered as non-profit private schools. Reasonable measures may have to be adopted in relation to future acquisitions to minimize any possible conflict with the provisions of the MOJ Draft for Review.

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 separate regulations and regulations do not have retrospective effect other than special provisions which are made to better protect the rights and interests of citizens, legal persons or other organizations. Accordingly, as advised by our PRC Legal Advisors and confirmed by the relevant official during the government consultation, if the MOJ Draft for Review is promulgated in the form as published, it shall not have retrospective effect in principle on our Contractual Arrangements which have been signed on December 11, 2018, before its promulgation. Our Contractual Arrangements can continue and will not be required to be terminated or amended, so long as our Contractual Arrangements had been entered into in compliance with the then applicable PRC laws and regulations and the principles of openness, fairness and justice as required under the MOJ Draft for Review; and (ii) Clause 45 of the MOJ Draft for Review 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 the relevant government authorities in terms of necessity, legitimacy and compliance.

There are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the MOJ Draft for Review – The consultation period for the MOJ Draft for Review has ended on September 10, 2018 but the PRC government has not provided any timeframe for promulgation of the MOJ Draft for Review. There are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the MOJ Draft for Review. See also "Risk Factors – Risks Relating to Our Business and Our Industry – New legislation or changes in the PRC regulatory requirements regarding private higher education may effect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review". There can be no assurance that our current decision to register our University as a for-profit private school will not materially and adversely affect our business, financial condition and results of operations. We will make the relevant amendments to our Group's decision in response to the developments of 2016 Decision and MOJ Draft for Comments after consulting our PRC Legal Advisors.

Additional Bank Loans

Subsequent to October 31, 2019, being the latest practicable date for the purpose of our indebtedness statement, we entered into two additional short-term working capital bank loans with the Nanhui branch of Agricultural Bank of China for a principal amount of RMB25 million and RMB75 million, respectively. See "Financial Information – Indebtedness – Bank loans and other borrowings" for details.

LISTING EXPENSES

We expect to incur a total of RMB68.6 million of listing expenses (assuming an Offer Price of HK$6.89, being the mid-point of the indicative Offer Price range between HK$6.05 and HK$7.73, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB40.8 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB27.9 million is directly attributable to the issue of the Shares to the public and will be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$6.05 per Share	Based on an Offer Price of HK$7.73 per Share
Market capitalization of our Shares(1)	HK$2,420 million	HK$3,092 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share(2)	HK$4.07	HK$4.48

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 400,000,000 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 400,000,000 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 from the Global Offering of approximately HK$632.6 million, assuming that the Over-allotment Options 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$6.89 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$103.3 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$6.89 per Share, being the mid-point of the proposed Offer Price range.

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

- approximately 34.8% (approximately HK$220.0 million) is expected to be used primarily to acquire or invest in other schools to expand our school network. As of the Latest Practicable Date, we had yet to identify any definitive acquisition target or confirmed the number of schools to be acquired or the timeframe involved. We had yet to enter into any legally binding agreement with respect to the acquisition of, or cooperation with, other universities. We are in the preliminary stage of prospecting potential opportunities and have yet to complete any concrete feasibility studies. The MOJ Draft for Review may have certain implications on our expansion strategy through acquisition. In particular, the scope of our acquisitions may be limited to for-profit private schools only. See the section headed "Business – Our Business Strategies – Expand our school network and increase our market penetration;"

- approximately 35.0% (approximately HK$221.4 million) is expected to be used primarily to finance the construction project on our campus and purchase related boarding equipment;

- approximately 20.2% (approximately HK$127.9 million) is expected to be used primarily to repay certain portion of our short-term loans and the current portion of our long-term loans as they become due; and

- approximately 10.0% (approximately HK$63.3 million) is expected to be used to supplement our working capital and for general corporate purposes.

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 University, which are primarily incorporated in China. Our University must comply with its constitutional documents and the laws and regulations of China in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC foreign investment enterprises, our Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

During the Track Record Period, we did not declare nor distribute any dividends.

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) new legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial conditions, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review; (ii) our business is heavily dependent on our reputation; (iii) 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; (iv) our business, financial condition, and results of operations depend largely on the number of students our University may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of the facilities of our University; (v) our business relies on our ability to recruit and retain dedicated and qualified teachers and other school personnel; and (vi) we may not be able to execute our expansion strategies. See "Risk Factors" in this prospectus for details.

PROPERTY VALUATION

According to the property valuation report prepared by Cushman & Wakefield Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the market value of the properties we owned and occupied as of October 31, 2019 was approximately RMB5,213 million. See "Business – Properties" and Appendix III to this prospectus for details on our properties. For risks associated with the assumptions made in the valuation of our properties, see "Risk Factors – Risks relating to Our Business and Our Industry – The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change" in this prospectus.

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

"2004 Implementing Regulations"	Implementing Regulations 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》) approved by the State Council on February 25, 2004, which took effect on April 1, 2004
"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 2016, which took effect on September 1, 2017
"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
"AIC"	Administration for Industry and Commerce (工商行政管理局), currently consolidated into the AMR
"AMR"	Administration for Market Regulation (市場監督管理局), consolidated from various government departments, including the AIC
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any one of them, in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on December 19, 2019 and effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and 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 charged with regulation of private postsecondary educational institutions operating in the State of California

"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Gench WFOE and our PRC Affiliated Entities dated December 11, 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 Gench College"	a private higher education institute to be established by our Group in the State of California, United States
"Capitalization Issue"	the issue of 299,990,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Appendix V – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then shareholders of our Company passed on December 19, 2019"
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan

"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"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"	Shanghai Gench Education Group Limited (上海建橋教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 8, 2018. It is the listing vehicle
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreements, the Shareholders' Rights Entrustment Agreement, the School Sponsors' and Directors' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Powers of Attorney and the Spouse Undertakings, further details of which are set out in the section headed "Contractual Arrangements" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, She De Limited, Gan En Limited, Ze Ren Limited and Tuan Jie Limited, who will, in aggregate, control the exercise of the voting rights of approximately 38.29% of the Shares eligible to vote in the general meeting of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme)
"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"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated December 19, 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
"Deed of Non-competition"	a deed of non-competition dated December 19, 2019 entered into by our Controlling Shareholders in favor of our Company (for ourselves and our subsidiaries) regarding the non-competition undertaking
"Demerger"	the demerger of our School Sponsors in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure – History of our School Sponsors – (3) Demerger of our School Sponsors" in this prospectus
"Demerger Balance Sheet(s)"	the audited balance sheet(s) prepared for the demerger of our School Sponsors under PRC GAAP pursuant to the relevant PRC law and described in the section headed "History and Corporate Structure – History of our School Sponsors – (3) Demerger of our School Sponsors" in this prospectus
"Demerger Balance Sheet Date"	the balance sheet date used for the purposes of preparing the Demerger Balance Sheets, which is March 31, 2018
"Director(s)"	the director(s) of our Company
"Directors' Powers of Attorney"	the school directors' powers of attorney executed by certain directors of our University dated December 11, 2018

"Donghua Technology Park Company"	Shanghai Donghua University Technology Park Development Co., Ltd. (上海東華大學科技園發展有限公司), a limited liability company established under the laws of the PRC on June 29, 2000. Approximately 36.67% of the equity interest of such company is currently held by Jian Zhi Qiao Development, which was demerged from Jian Qiao Group. The remaining approximately 63.33% of the equity interest of such company is currently held by Independent Third Parties
"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 and amended on February 24, 2017 and December 29, 2018
"Equity Pledge Agreements"	the equity pledge agreement entered into by and among the Registered Shareholders, Jian Qiao Group and Gench WFOE dated December 11, 2018 and the equity pledge agreement entered into by and among the Registered Shareholders, Jian Qiao Group and Jian Qiao Investment dated December 11, 2018
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Gench WFOE, our PRC Affiliated Entities and the Registered Shareholders dated December 11, 2018
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"FIE"	foreign invested enterprise
"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th National People's Congress on March 15, 2019, which will come into effect on January 1, 2020
"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
"Gench BVI"	Shanghai Gench Education Holdings Limited (上海建橋教育控股有限公司), a limited liability company established under the laws of BVI on May 15, 2018 and a wholly-owned subsidiary of our Company

"Gench HK"	Gench Education Group (Hong Kong) Limited (建橋教育集團(香港)有限公司), a limited liability company incorporated in Hong Kong on June 1, 2018 and a wholly-owned subsidiary of our Company
"Gench US"	Gench Education Group US, Inc, a company incorporated in the State of California the United States on August 13, 2018 and a wholly-owned subsidiary of our Company
"Gench WFOE"	Wangting Education Technology (Shanghai) Limited (望亭教育科技(上海)有限公司), a limited liability company established under the laws of the PRC on October 31, 2018, which is wholly owned by Gench HK
"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 PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$", "Hong Kong dollar(s)", or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 10,000,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus

"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated December 30, 2019, relating to the Hong Kong Public Offering of our Company, entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Representative, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"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 by the International Underwriters of the International Placing Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed "Structure of the Global Offering" in this prospectus, on and subject to the terms and conditions stated herein and in the International Underwriting Agreement

"International Placing Share(s)"	the 90,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Placing (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Representative, the Joint Global Coordinators and the International Underwriters, on or about the Price Determination Date
"Jian Qiao Assets Management"	Shanghai Jianqiao Group Asset Management Co., Ltd. (上海建橋集團資產管理有限公司), a limited liability company established under the laws of the PRC on December 10, 2009. It is one of the Spun-off Subsidiaries
"Jian Qiao Group"	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on November 7, 2000, which is owned by the Registered Shareholders. Please refer to the section headed "History and Corporate Structure – History of our School Sponsors – (2) Jian Qiao Group" for further details on the equity interests held by the Registered Shareholders in Jian Qiao Group. It is one of the school sponsors of our University and an affiliated entity of our Company
"Jian Qiao Investment"	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on August 3, 1999, which is wholly owned by Jian Qiao Group. It is one of the school sponsors of our University and an affiliated entity of our Company
"Jian Zhi Qiao Development"	Shanghai Jian Zhi Qiao Corporation Development Limited* (上海建之橋企業發展有限公司), a limited liability company established under the laws of the PRC on June 14, 2018, which was demerged from Jian Qiao Group. It is owned by the Registered Shareholders

"Jian Zhi Qiao Management"	Shanghai Jian Zhi Qiao Corporation Management* (上海建之橋企業管理有限公司), a limited liability company established under the laws of the PRC on June 12, 2018, which was demerged from Jian Qiao Investment. It is wholly owned by Jian Zhi Qiao Development
"Joint Bookrunners" or "Joint Lead Managers"	Macquarie Capital Limited, Haitong International Securities Company Limited, Essence International Securities (Hong Kong) Limited, CCB International Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited and BOCOM International Securities Limited
"Joint Global Coordinators"	Macquarie Capital Limited and Haitong International Securities Company Limited
"Latest Practicable Date"	December 21, 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 January 16, 2020, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on December 19, 2019 and as amended from time to time
"MOE"	the Ministry of Education of the PRC
"MOE Draft for Comments"	the Implementing Regulations for the Law for Promoting Private Education of the PRC (the Draft Revision) (the Consultation Version) 《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)》 published by the MOE on April 20, 2018

"MOE Notice"	the Notice of the General Office of the MOE on Further Strengthening and Improving the Calculation and Reporting of Graduate Employment Rate of Higher Education Institutions (《教育部辦公廳關於進一步加強和完善高校畢業生就業狀況統計報告工作的通知》) issued by the MOE in 2004
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOJ"	Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Review"	the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) 《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)》 released by the MOJ on August 10, 2018
"Mr. Zhou"	Mr. Zhou Xingzeng, the chairman, an executive Director and a Controlling Shareholder of the Company
"National People's Congress"	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)
"Negative List"	Special Administrative Measures for Access of Foreign Investment (Negative List) (2019) (《外商投資准入特別管理措施(負面清單)》(2019年版), the "Negative List") which was promulgated by the NDRC and the MOFCOM on June 30, 2019 and became effective on July 30, 2019
"Offer Price"	the maximum Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offer, to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, where relevant including any additional Shares issued pursuant to the exercise of the Over-allotment Option

"our University" or "Shanghai Jian Qiao University"	Shanghai Jian Qiao University (上海建橋學院), a private institution of formal higher education established under the laws of the PRC on June 28, 2000, of which the school sponsors' interest is owned as to 52.11% by Jian Qiao Group and as to 47.89% by Jian Qiao Investment. It is an affiliated entity of our Company
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Sole Representative on behalf of the International Underwriters, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover, among other things, over allocations in the International Placing as described in the section headed "Structure of the Global Offering" in this prospectus
"PRC Affiliated Entities"	namely, our University and our School Sponsors, each an affiliated entity of our Company
"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, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC
"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"	Commerce & Finance Law Offices, our legal advisors as to PRC Laws
"Price Determination Agreement"	an agreement between our Company and the Sole Representative (for itself and on behalf of the Underwriters) to fix the Offer Price

"Price Determination Date"	the date, expected to be on or around Thursday, January 9, 2020 and, in any event, not later than Tuesday, January 14, 2020, on which the Offer Price is to be fixed by agreement between our Company and the Sole Representative (for itself and on behalf of the Underwriters) to determine the Offer Price
"QDII"	qualified domestic institutional investor, as defined in applicable PRC laws and regulations
"Registered Shareholders"	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Mr. Wang Xuangui, and Mr. Zheng Juxing. Please refer to the section headed "History and Corporate Structure – History of our School Sponsors – (2) Jian Qiao Group" for further details on their relationship with our Group
"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" or "State Administration Industry and Commerce"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently consolidated into the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"School Sponsors"	the school sponsors of our University, namely, Jian Qiao Group and Jian Qiao Investment

"School Sponsors' and Directors' Rights Entrustment Agreement"	the school sponsors' and directors' rights entrustment agreement entered into by and among the School Sponsors, our University, certain directors of our University and Gench WFOE dated December 11, 2018
"School Sponsors' Powers of Attorney"	collectively, the school sponsors' powers of attorney executed by the School Sponsors in favor of Gench WFOE dated December 11, 2018
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Shanghai Licensing Measures"	the Administration Measures of Shanghai Municipality on Classification of Licensing and Registration of Private Schools (《上海市民辦學校分類許可登記管理辦法》) promulgated by the People's Government of Shanghai on December 26, 2017 and became effective on January 1, 2018
"Shanghai Opinion"	the Implementation Opinions of Shanghai Municipal People's Government on Promoting the Healthy Development of Private Education (《上海市人民政府關於促進民辦教育健康發展的實施意見》) promulgated by the People's Government of Shanghai on December 26, 2017 and became effective on January 1, 2018
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on December 19, 2019, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Gench WFOE dated December 11, 2018

"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 Sponsor", "Sole Representative" or "Stabilizing Manager"	Macquarie Capital Limited
"Spouse Undertakings"	collectively, the undertakings executed by the spouse of relevant Registered Shareholders dated December 11, 2018
"Spun-off Businesses"	non-higher education businesses which were indirectly held by Jian Qiao Group through the Spun-off Subsidiaries immediately prior to the Demerger and were spun-off to the Spun-off Group pursuant to the Demerger
"Spun-off Entities"	collectively, the Spun-off Subsidiaries and the Spun-off Investments
"Spun-off Group"	collectively, the Spun-off Parents and the Spun-off Subsidiaries
"Spun-off Investments"	entities (other than Spun-off Subsidiaries) in which our School Sponsors (as predecessor companies) held an equity interest and were spun-off to the Spun-off Parents pursuant to the Demerger, and are marked with "##" in the section headed "History and Corporate Structure – History of our School Sponsors – (3) Demerger of our School Sponsors – Spun-off Entities" in this prospectus.
"Spun-off Parents"	namely, Jian Zhi Qiao Management and Jian Zhi Qiao Development
"Spun-off Subsidiaries"	subsidiaries of our School Sponsors (as predecessor companies) which were spun-off to the Spun-off Parents pursuant to the Demerger, and are marked with "#" in the section headed "History and Corporate Structure – History of our School Sponsors – (3) Demerger of our School Sponsors – Spun-off Entities" in this prospectus.
"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 She De Limited and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of our Company include the School Sponsors and our University
"Substantial Shareholders"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the three years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO – www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	percent

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

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.89897 = HK$1.00 or RMB7.0383 = US$1.00, respectively, and certain amounts denominated in U.S. dollars have been translated into Hong Kong dollars at an exchange rate of US$1.00 = HK$7.8293, 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 People's Republic of the PRC (《中華人民共和國義務教育法》)
"formal education"	education that provides students with the opportunity to earn official certificates from the PRC government
"full-time teacher(s)"	qualified teachers who are full-time employees of our University and qualified teachers who are employed by third party institutions but provide education to our students on service contracts with terms longer than two years
"high school"	a school that provides education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
"independent college"	an undergraduate level higher education institution established by a public university that provides formal undergraduate and above level education in association with individuals or non-governmental organizations 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 a higher degree or equivalent programs, or accepted an offer to pursue overseas study or employment, as of or around August 31 during the year in which they graduated

"junior college program" or "junior college"	a three-year postsecondary formal education program that generally enrolls high school graduates who have taken the National Higher Education Entrance Examination, and upon completion of which a junior college diploma will be granted
"junior college" or "undergraduate program"	a two-year postsecondary formal education program that generally enrolls graduates of junior college diploma programs who have taken the relevant examination/assessment administered by the participating university, and upon completion of which a bachelor's degree will be granted
"National Higher Education Entrance Examination"	also known as "Gaokao" (高考), a national academic examination held annually in China, which is a pre-requisite for entrance into almost all higher education institutions at the undergraduate level in China
"one-child policy"	China's former population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family could have only one child, with certain exceptions
"private higher education institution" or "private university"	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by non-governmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public
"private school(s)"	school(s) which are not administered by local, provincial or national governments
"public school(s)"	school(s) 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 our University, which generally starts on September 1 of each calendar year and ends on August 31 of the next calendar year

"secondary education"	generally includes middle school education and high school education from grade seven through grader 12
"secondary vocational education"	a three-year program that generally enrolls middle school graduates or a one-year vocational education program that generally enrolls high school graduates, and upon the completion of which a vocational high school diploma will be granted
"Shanghai Spring Higher Education Entrance Examination"	Shanghai Municipality administers an additional National Higher Education Entrance Examination in early spring every year for local students. Universities and junior colleges in Shanghai have the discretion to admit applicants who participate in such examination in accordance with relevant procedures
"student enrollment" or "student enrollments"	total number of students enrolled in a certain educational program in a given period
"undergraduate program" or "undergraduate"	a four-year postsecondary formal program that generally enrolls high school graduates who have taken the National Higher Education Entrance Examination, and upon the completion of which a bachelor's degree will be granted

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

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

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 China, 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

New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review.

The private higher education industry in the PRC is subject to various laws and regulations. Relevant laws and regulations could be changed to regulate the development of the education industry, in particular, the private education markets from time to time. For example, the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法) was promulgated in December 2002, was amended in June 2013, and further amended in November 2016 and took effect on September 1, 2017. Pursuant to the 2016 Decision, private schools will no longer be classified as either schools for which school sponsor(s) require reasonable returns or schools for which school sponsor(s) do not require reasonable returns. Instead, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that private schools providing nine-year compulsory education must be non-profit. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, see "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus.

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the state level in December 2016 and August 2017. See "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus for details.

On December 26, 2017, the People's Government of Shanghai promulgated the Shanghai Opinion and the Shanghai Licensing Measures, pursuant to which further requirements are implemented in light of the 2016 Decision, including but not limited to, the requirement that the school sponsors of private schools (other than schools providing compulsory education) established and registered in Shanghai prior to November 7, 2016 shall submit in writing their decisions to convert into for-profit or non-profit schools by December 31, 2018 and complete the conversion to a non-profit school by December 31, 2019 and to a for-profit school by December 31, 2021 for higher education institutions. See "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for details.

For details of the potential impact on us of the 2016 Decision and related implementing rules, see "Business – Potential Impact on Us of the 2016 Decision and Related Implementing Rules" in this prospectus.

The 2016 Decision was promulgated in recent years and the PRC government authorities may further formulate regulations to implement the 2016 Decision. There remain uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a for-profit private school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by the local authorities in Shanghai and (ii) specific conditions or requirements in respect of any preferential tax treatment which for-profit schools may enjoy have not been promulgated by relevant authorities. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

Consequently, we are unable to accurately evaluate the potential impact on our operations at this stage, such as the tax liabilities our University may be exposed to after we choose for our University to be a for-profit private school or whether, and the amount of, any public funding our University may be able to receive. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit schools or non-profit schools have not been promulgated by the relevant local governmental authorities, there can be no assurance that the conversion of our University into a for-profit school will not materially and adversely affect our business, financial condition and results of operations.

While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be deemed to be in compliance with such new laws and regulations, as their interpretation may remain uncertain, nor can we assure you that we will always be able to timely and efficiently change our business practice in line with the new regulatory regime. Any such failure could materially and adversely affect our business, financial condition, results of operations and prospects.

On August 10, 2018, the MOJ released the MOJ Draft for Review, which was a revised version of the MOE Draft for Comments, for public consultation purpose. The MOJ Draft for Review made certain significant changes to certain provisions of the 2004 Implementing Regulations which may affect private schools. See "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus for further details.

The MOJ Draft for Review stipulates further provisions on the operation and management of private schools. Among other things, (i) a for-profit private school shall deposit the income into a specific settlement account of its own; (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; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be of an amount of no less than RMB200 million. With respect to requirement (ii) above, our Contractual Arrangements may be regarded as connected transactions of our University and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing review 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 Contractual Arrangements, which may in turn adversely affect the operation of our Contractual Arrangements. Government authorities may find that one or more agreements underlying our Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our operation and financial condition.

The MOJ sought comments from the public on the MOJ Draft for Review, if any, to be submitted prior to September 10, 2018, which has passed. 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 which may be promulgated.

There is no assurance that we will be able to operate our business in full compliance with the 2016 Decision or any relevant regulations. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn, our business, financial condition and results of operations.

Uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations. While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be deemed to be in compliance with such new laws and regulations, as their interpretation may remain uncertain, nor can we assure you that we will always be able to change our business practice successfully to adapt to the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

Our business is heavily dependent on our reputation.

We believe that our success is heavily dependent on our reputation including that of our University. Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control.

Factors which could potentially impact our reputation, include, among others, levels of students' and parents' satisfaction with our program and curriculum offerings, teachers and teaching quality, ability of our graduates to find satisfactory employment, accidents on campus, negative press, disruptions to our educational services, failure to pass inspections by the relevant education authorities, loss of certifications and approvals that enable us to operate our University in the manner it is currently operated, and unaffiliated parties using our name or brand without adhering to our standards of education. If our reputation is damaged, students' and parents' interest in our University may decrease and our business could be materially and adversely affected.

We have developed our student base primarily through word-of-mouth referrals and student recruitment events. We also promote our brands by, among others, publishing student recruitment advertisements or promotional materials in newspapers as well as on online platforms. However, we cannot assure you that such methods will be sufficient in the future or that any additional marketing efforts we may undertake will be successful or sufficient in further promoting our brand or in helping us to remain competitive. 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 maintain or sustain our reputation, we may also be unable to maintain or increase student enrollment, which may have a material adverse effect on our business, financial condition and results of operations.

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.

One of the most significant factors affecting our profitability is the tuition and boarding fee rates we charge at our University. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, tuition fees constituted approximately 86.3%, 85.7%, 86.1%, and 87.7%, respectively, of our total revenue, while boarding fees accounted for 11.9%, 12.1%, 12.6%, and 12.0%, respectively, of our total revenue. We determine our tuition fee rates primarily based on the demand for our educational programs, the cost of our operations, the tuition rates charged by our competitors, our pricing strategy to gain market share and general economic conditions in Shanghai and the PRC in general. On January 16, 2015, Shanghai Municipal Development and Reform Commission issued the Circular on Promulgating the Shanghai Pricing Catalog (2015) (Hu Fa Gai Jia Du [2015] No. 1) (上海市發展和改革委員會關於印發《上海市定價目錄》(2015)的通知 (滬發改價督[2015]1號), on February 4, 2015, Shanghai Municipal Education Commission issued the Circular on Issues Concerning Charge of Tuition Fees on Private Higher Education Schools (Hu Jiao Wei Min [2015] No. 4) (《上海市教育委員會關於進一步做好2015年民辦高等學歷教育收費工作的通知》(滬教委民[2015]4號) and on June 29, 2018, Shanghai Municipal Development and Reform Commission issued the Circular on Promulgating the Shanghai Pricing Catalog (2018) (Hu Fa Gai Gui Fan [2018] No. 6) (上海市發展和改革委員會關於印發《上海市定價目錄》的通知 (2018) (滬發改規範 [2018] 6號)), according to which, private higher education institutions in Shanghai are no longer subject to government pricing. Instead, private higher education institutions in Shanghai can determine tuition and boarding fee rates at their own discretion, and are required to publish the tuition and boarding fee rates on platforms in accordance with the education fee disclosure requirement in Shanghai, such as admission brochures, school websites and bulletin boards. We raised tuition fee rates in 2015 and in June 2019 we increased tuition fee rates for approximately one quarter of majors and concentrations offered by our University. However, there can be no assurance that we will be able to maintain or raise the tuition and/or boarding fee levels we charge at our University in the future. Even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you that we will be able to attract prospective students to apply for our University at such fee rates at the same levels as currently or at all. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition or attract sufficient prospective students.

Our business, financial condition, and results of operations depend largely on the number of students our University may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of the facilities of our University.

Each year the education authorities specify a quota for the number of new full-time students our University may admit. The number of full-time students our University may admit is therefore subject to the quota set by the education authorities on a year by year basis, subject to any adjustments agreed by the education authorities. See “Business – Our University – Student enrollment and capacity” for details of our historical enrollment and school capacity. To the best of the Directors’ knowledge, to determine the admission quota to be granted to our University, the education authorities take into account factors including the number of full-time students enrolled and number of applications received by our University, quality of education, social recognition and reputation of our University and the overall regional economic and educational conditions and policies. In addition, the number of students we are able to admit at our University is also constrained by the size of our educational facilities, the size of the dormitories and number of beds available for students on campus, which are limited in space and size.

As we charge tuition fees and boarding fees for our full-time students, the total number of enrolled full-time students determines our total revenue. Our full-time student enrollment grew from 14,299 in the 2015/2016 school year to 19,857 in the 2019/2020 school year. If the admission quota for our University does 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 and adverse impact on our business, financial condition and results of operations.

In addition, there can be no assurance that the overall yield (報到率) of our University, which is defined as the number of students who register with our University divided by the number of students who receive our offer letters, will remain stable. For example, some university applicants who have been admitted for our junior college program may choose not to register with our University, and decide to re-take the National Higher Education Entrance Examination the following year. 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.

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

We rely substantially on our teachers to deliver our educational services to students. Our teachers are critical to maintaining the quality of our programs and services and to upholding our reputation. As of September 30, 2019, we had a team of 841 full-time teachers and 405 part-time teachers.

To maintain the quality of education provided to our students and further grow our business, we need to continue to attract qualified teachers who meet our standards. We seek to hire teachers who have expertise in their respective subject areas as well as being able to deliver classroom instruction that keeps students engaged. Moreover, given the strong practical focus of our University, we also look for teachers with extensive relevant work experience in their respective industries. We believe there are a limited number of teachers with the necessary experience and qualifications to teach our courses. There is no guarantee that we will be able to recruit and retain such personnel in the future. As a result, we believe that we may need to provide competitive compensation and benefits packages to attract and retain qualified teachers and school administrative personnel. In addition, criteria such as work ethic, commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and recruit teachers and other school personnel quickly in order to meet the anticipated rising student enrollment. We must also provide on-going training to our teachers so that they can stay abreast of changes in industry standards and student demands to effectively teach their respective courses.

We may not be able to identify, hire and retain a sufficient number of qualified teachers and qualified school administrative personnel to keep pace with our anticipated growth, or our training may not be adequate for our teachers to meet our standards of education which also evolve with the latest developments in our industry and the geographical regions we serve. If we are unable to recruit and retain an appropriate number of qualified teachers and qualified school administrative personnel, or if the training we provide to our teachers turns out to be inadequate, the quality of our services or overall education programs may deteriorate or be perceived to deteriorate in our University, which may have a material and adverse effect on our reputation, business and results of operations.

We may not be able to execute our expansion strategies.

We have more than doubled our student body from 7,830 full-time students as of December 31, 2006 to 19,857 full-time students as of September 30, 2019. Our growth has placed, and will continue to place, significant pressure on our management and resources. We plan to continue to expand total student enrollment. See "Business – Our Business Strategies – Enhance our profitability by optimizing our pricing and increasing student enrollment at our University" for details. To manage and support our growth, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative personnel. All of these endeavors require substantial management time and skills as well as significant additional expenditure. If we cannot adequately update and 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, or recruit and retain the qualified personnel we will need. Any failure to effectively and efficiently manage our expansion may materially and adversely affect the quality of our overall educational services and limit our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results.

We also plan to file an application with the MOE in 2020 to establish our own graduate program. See "Business – Future Development – New programs and majors." However, there can be no assurance that the MOE will approve our application. We filed an application with the MOE to establish a graduate program once before in 2017, but such application was not approved at that time. We cannot assure you we will receive an approval for our proposed new application in the future.

In addition to expanding our University in China, with the aim of building our presence overseas and obtaining operational experience from abroad, we plan to establish and operate California Gench College, a higher education institution in the State of California, the United States. See "Business – Future Development – Overseas college" for details. We have no prior experience establishing and/or operating schools in the United States or elsewhere outside of Shanghai, and we may encounter barriers and challenges upon entering into such markets, including failure to obtain relevant regulatory approvals, which may result in delay or inability to carry out our overseas expansion plan. We also plan to hire local administrators and teachers with relevant experience operating a university in California, but we cannot assure you we will be able to identify and hire suitable candidates or that we will be able to work effectively with them. It also may prove more difficult than we expect to attract students to enroll due to our lack of market recognition in the region. Furthermore, costs incurred may exceed our current expectations in developing our California Gench College and we may not be able to effectively manage our costs or generate sufficient revenue to justify the investments made. We cannot ensure you that the establishment of such university abroad will be successful and could not have a negative impact on our financial results.

We may expand our school network through acquisitions of or investments in additional schools. If we fail to execute this expansion strategy successfully, our business, financial condition and results of operations may be materially and adversely affected.

One of our growth strategies is to grow our business by acquiring or investing in other schools, in particular, for-profit, private universities offering bachelor's degree programs that are focused on applied sciences. See "Business – Our Business Strategies – Expand our network coverage and increase our market penetration" for details. We believe we face challenges in integrating the business operations and management philosophies of acquired schools. The benefits from future acquisitions depend, to a significant extent, on our ability to effectively integrate the management, operations, technology and personnel of the acquired schools. The acquisition and integration of acquired schools is a complex, time-consuming and expensive process that, without proper planning and implementation, may significantly disrupt our business operations and reputation. The main challenges involved in integrating acquired schools include:

- retaining qualified teaching staff and existing students;

- consolidating educational services offered by the acquired schools;

- 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 information technology platforms and administrative infrastructure with minimal disruptions to the existing operations of the acquired schools;

- minimizing the diversion of our management's attention from on-going business concerns;

- minimizing disruptions to existing students' curricula as a result of the acquisition; and

- ensuring and demonstrating to our stakeholders that the new acquisitions or establishments will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

We have no prior experience in acquiring or investing in schools and we cannot assure you that we will be able to identify suitable targets and that our due diligence efforts will reveal all material deficiencies in the target schools. We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all. We may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we had anticipated, which may result in material adverse effects on our business, financial condition and results of operations. We cannot assure you that we will be able to manage or minimize the disruptions to the acquired schools as a result of a change in management. Failure to do so may result in adverse effect on our reputation, financial condition, and the results of operations.

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

The success of our business depends in large part on our ability to maintain the quality of education we provide and the ability of our students to find suitable employment after graduation and/or to continue their education. Our University may not be able to meet students' and parents' expectations for academic performance or help our graduates obtain satisfactory jobs upon graduation. A student may not achieve expected academic improvement or acquire desired skills, and his or her performance may otherwise decline due to reasons beyond our control. There is no assurance that we can provide learning experiences or results that are satisfactory to all of our students and their parents, which in turn may negatively affect their confidence in our education programs. We may also experience negative publicity or a decrease in word-of-mouth referrals. Any such negative developments could result in students' withdrawal from or unwillingness to apply to our University, and therefore have an adverse impact on our reputation. If we fail to continue to attract, admit, and retain students of a suitable standard or at all, our business, financial condition and results of operations may be materially and adversely affected.

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

According to the Frost & Sullivan Report, the private higher education industry in China is rapidly evolving and is highly fragmented and competitive, with participants in the industry facing increasingly intense competition. Competition in the higher education market in Shanghai, where our University is located, is particularly fierce, with 64 universities and colleges accounting for approximately 2.4% of the total number of universities and colleges in all of China in 2018 according to the Frost & Sullivan Report.

We primarily compete with public schools and other private schools in Shanghai and elsewhere in China that offer similar programs, including universities that also specialize in the applied sciences. We compete with these schools across a range of factors, including program and curriculum offerings, school location and facilities, expertise and reputation of teachers, tuition fee levels, and cooperative relationships with reputable companies in various industries. Public schools may enjoy preferential treatment from governmental authorities in respect of, among other things, government subsidies. Our competitors may adopt similar curriculums, teaching methods, school support and marketing approaches, with different pricing and content that may be more appealing to students and their parents. In addition, some of our competitors may have better connections with companies in various industries or more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to the changes in student demand, market needs or new technologies. As such, we may be required to reduce tuition fees and boarding fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, attract and retain competent teachers or other key personnel, enhance the quality of our education services or control competition costs, our business and results of operations may be materially and adversely affected.

We may not be able to obtain all necessary approvals, licenses and permits or to make all necessary registrations and filings for our education and other services in China in a timely manner, and may be subject to severe penalties if the operation of our business in China does not comply with applicable PRC laws and regulations.

The PRC education industry, including the private higher education sector, is highly regulated by, among other authorities, the MOE and other local education authorities. As a private higher education provider, we are subject to extensive laws and regulations in China, such as the Education Law of the PRC (《中華人民共和國教育法》), the Higher Education Law of the PRC (《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 Implementing Regulations 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》). We are required to obtain, renew and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct our operations. For instance, to establish and operate a school, we are required to obtain a private school operating license 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 a legal person.

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 University, there is no assurance that we will be able to obtain all required permits in a timely manner or at all given the significant amount of discretion relevant regulatory authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive or obtain required permits or renew any permits and certificates in a timely manner, or at all, or the contractual agreements that establish the structure for operating our PRC business are found to be in violation of any PRC laws and regulations in the future, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, the suspension of our non-compliant operations or the 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.

The private higher education business has a relatively short history in China and may need time to gain wide acceptance.

Our future success is highly dependent on the acceptance, development and expansion of the market for private higher education services in China. The private higher education services market started to develop in the early 1980s and experienced rapid growth in the 1990s, and has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. However, private higher education services for reasonable returns were permitted in China starting from 2003 when the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective, and private higher education services for-profit were not allowed in China until September 2017 when the 2016 Decision became effective.

The development of the private higher education industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools and universities. Significant uncertainty remains in China as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referenced in relevant PRC law are available to non-profit private schools, such as preferential tax treatment, as they are to public schools, while for-profit private schools are supposed to enjoy preferential tax treatment as subject to the state’s provisions. To date, however, other than the Implementing Rules 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 Rules on Classification Registration of Private Schools (《民

辦學校登記實施細則》) and the 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 authorities with regard to for-profit private schools. Please refer to the section headed "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for further details. 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.

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

From time to time, we may renovate existing premises or construct new buildings to ensure that our educational facilities are fitted with technologies and to enhance convenience and comfort for our students and staff. We may establish new campuses and school premises as we grow and expand our business. For campuses and school premises constructed and developed for our University or such new schools or campuses, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including, for example, the construction planning permit, the construction work commencement permit and construction completion inspection, the fire control inspection and the environmental acceptance check. We may in the future encounter problems in fulfilling the conditions precedent to obtain those certificates, permits and pass those inspections and acceptance checks, and we may not always be able to obtain them in a timely manner, or at all.

In particular, for our student activity center located on our campus with a gross floor area of approximately 4,987 sq.m, (i) we had commenced construction without obtaining the construction planning permit and construction work commencement permit, (ii) we put such center into use without passing the construction completion inspection, the fire control inspection and the environmental acceptance check, and (iii) as of the Latest Practicable Date, we had not obtained the building ownership certificate. We have already ceased using our student activity center. If we fail to obtain and/or pass requisite permits, certificates or inspections for campuses and school premises we constructed and/or will develop and construct in the future, we may become subject to administrative fines and other penalties or may be ordered to suspend to use of our student activity center and any construction on our University's premises at that time, which could disrupt our business and cause us to incur additional expenses. This, in turn, may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our PRC Legal Advisors have advised that, according to the relevant laws and regulations, for the construction and use of our student activity center without: (a) obtaining the construction planning permit, (i) we may be subject to a fine ranging from 5% to 10% of the construction cost and ordered to rectify the impact on the planning caused by such construction, if such impact can be rectified, (ii) we may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction, if such impact cannot be eradicated and the building cannot be demolished; (b) obtaining the construction work commencement permit, we may be subject to a rectification order and/or a fine ranging from 1% to 2% of the contract price of constructing the building; (c) passing the construction completion inspection, we may be subject to a rectification order and/or a fine ranging from 2% to 4% of the contract price of constructing the building; (d) passing the fire control inspection, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and suspension from using the buildings; and (e) passing the environmental acceptance check, (i) we may be subject to a rectification order and a fine ranging from RMB200,000 to RMB1,000,000, (ii) if we fail to rectify the failure within the time limit, we may be subject to a fine ranging from RMB1,000,000 to RMB2,000,000, (iii) we may be ordered to stop the production or use of the premises when causing major environmental pollution or ecological damage, or may be subjected to a closure order with the prior approval of the relevant government authorities.

As a rectification step, with the assistance of our PRC Legal Advisors, we consulted the Shanghai Lingang District Development Construction Administration Committee* (上海市臨港地區開發建設管理委員會), being the competent authority for supervising the aforesaid construction and environmental compliance matters as advised by our PRC Legal Advisors, on September 13, 2018. During the consultation, the relevant officials confirmed that, as a result of the construction and use of our student activity center without obtaining the construction planning permit and the construction work commencement permit and without passing construction completion inspection and the environmental acceptance check, we may be subject to investigations or penalties. Considering that we have completed the construction, (i) we may be subject to an investigation or a penalty (if any) payment of which would be a prerequisite to re-applying for the construction planning permit, the construction completion inspection and the environmental acceptance check (the "Construction-Related Procedures"); (ii) we will be able to complete the Construction-Related Procedures without legal impediments if our re-application materials are complete and adequate and (iii) there will be no need for our University to re-apply for the construction work commencement permit. The relevant officials further confirmed that, the competent authority currently will not require our University to demolish the student activity center nor suspend its use before the completion of all aforesaid Construction-Related Procedures.

We are required to obtain the aforementioned construction planning permit, and pass the construction completion inspection and the environmental acceptance check as a prerequisite to re-applying for passing the fire control inspection and obtaining the building ownership certificate. For the commencement of construction of our student activity center without obtaining the construction planning permit, during the Track Record Period and up to the Latest Practicable Date, we have been subject to (i) an administrative order requiring us to rectify our failure to obtain a construction planning permit within three months and (ii) an administrative fine of RMB490,000, by Shanghai Municipal Planning, Land and Resources Administration (上海市規劃和自然資源局). In addition, for not obtaining construction work commencement permits and submitting construction designs for the competent authority's review at or prior to the commencement of the construction work with respect to one dormitory and one teaching building, we were required by the Shanghai Municipal Housing and Urban-Rural Construction Management Commission* (上海市住房和城鄉建設管理委員會) to pay a fine of RMB300,000. As of the Latest Practicable Date, such fines had been settled, and our University had obtained the construction planning permit of our student activity center.

As of the Latest Practicable Date, we were not aware of other actual or contemplated actions or investigations by any government authorities against us with respect to the lack of the construction work commencement permit, the construction completion inspection, the fire control inspection and the environmental acceptance check. However, we cannot assure you that the relevant authorities will not interpret, implement or enforce the relevant rules and regulations differently. In addition, for using of our student activity center without passing the fire control inspection, we remain subject to the risk of a potential fine of up to RMB300,000.

If any of the above risks materializes, our business, financial condition and results of operations may be materially and adversely affected.

Our University is subject to various compliance requirements set out by the Basic Conditions for Operating Higher Education Institutions (Trial).

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our University was subject to certain regulatory guidance requirements in relation to the prescribed ratio between our University's site area/gross floor area and the number of full-time students enrolled.

According to the Indicators for 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 the gross floor area of a higher education institution's teaching and administrative buildings and its number of full-time students should be nine to 16 sq.m. per student. As of September 30, 2016, 2017, and 2018, the ratio between the gross floor area of the teaching and administrative buildings of our University and its number of full-time students enrolled was approximately 9.5 sq.m./student, 9.1 sq.m./student, and 9.1 sq.m./student, respectively, which were in compliance with the aforesaid regulatory guidance requirement. As of September 30, 2019, such ratio was 8.1 sq.m./student which was lower than the aforesaid regulatory guidance requirement. In addition, under the aforesaid regulatory guidance requirement, except for sports and art schools, the ratio between a higher education institution's site area and its number of full-time students should be 54 to 59 sq.m. per student. As of September 30, 2016, 2017, 2018 and 2019, the ratio between the site area of our University and its number of full-time students enrolled was approximately 35.2 sq.m./student, 32.2 sq.m./student, 29.9 sq.m./student and 26.8 sq.m./student, respectively, which were lower than the aforesaid regulatory guidance requirement. We will continue monitor the situation and would purchase additional land to the extent this became required by relevant government authorities. However, the purchase of additional land could cause us to incur significant expense and there can be no assurance that we would be able to find suitable land in a timely manner or at all.

In addition, according to the Basic Conditions for Operating Higher Education Institutions (Trial), the teacher-to-student ratio of our University should be maintained at a level of not less than 1:18. The teacher-to-student ratio of our University was lower than the required level in the 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years. See "Business – Our Teachers" for details.

While we understand based on the interviews with relevant regulators that the aforementioned ratios are only used as principles to guide school operation in Shanghai and failure to comply with such principles will not be considered as an unlawful act, or otherwise subject our University to any fines or penalties or result in restrictions and/or suspensions of student enrollment or other negative effects on the regular operation of our University, we cannot assure you that the regulations relating to the ratio between school site area/building area and the number of students enrolled, or teacher-to-student ratio will not change in the future or that the relevant education authorities will not impose any fines or penalties on us for failure to comply with the regulations. See "Business – Properties – Regulatory guidance relating to the ratios between school site area/gross floor area and number of students enrolled" for further details. If we should be deemed to be not in compliance with the relevant regulations, our business, financial condition, future prospects and results of operations may be materially and adversely affected.

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

Our business, financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, such as public perception of the private higher education industry in China and our ability to maintain and increase student enrollment at our University and maintain and raise tuition and boarding fees. We raised tuition fee rates in 2015 and in June 2019 we increased tuition fee rates for approximately one quarter of our majors and concentrations. However, we cannot guarantee that we will be able to maintain and raise tuition and boarding fees, or maintain the same level of growth rates in revenue and profit in the future. We also may not be successful in continuing to increase the number of students admitted to our University due to our limited capacity, and we may not be successful in carrying out our growth strategies and expansion plans.

We may not sustain our past growth rates in future periods, and we may not sustain profitability on a quarterly, interim or annual basis in the future. Moreover, our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. Tuition and boarding fees received are generally paid in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. The school year of our University is generally from September 1 to August 31 of the following calendar year. However, the timing of the recording of our costs and expenses do not necessarily correspond with the timing of our recognition of revenue. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of investors. Any of these events could cause the price of our Shares to materially decrease.

The unavailability of any preferential tax treatments currently enjoyed by our University could materially and adversely affect our results of operations.

Pursuant 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 treatments as public schools. As a result, private schools providing formal higher education are entitled to the same preferential tax treatments as public schools if the school sponsors of such schools do not require reasonable returns. As the School Sponsors of our University do not require reasonable returns, we were not required to pay PRC enterprise income tax for the income we received from the provision of formal educational services by our University and no income tax expenses were recognized for such income for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019.

Pursuant to the 2016 Decision, a non-profit private school may enjoy the same preferential tax treatments as a public school. In addition, pursuant to the 2016 Decision, a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. However, the existing PRC laws and regulations and the 2016 Decision which have taken effect on September 1, 2017 have not set forth any details regarding the preferential tax treatments that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate. With a view to understanding the local legislation development in Shanghai as our School Sponsors have made their decision to register our University as a for-profit private school, we, with the assistance of our PRC Legal Advisors, consulted officials from Shanghai Pudong New Area Tax Service, State Administration of Taxation (國家稅務總局上海市浦東新區稅務局), being the competent authority as advised by our PRC Legal Advisors, on December 12, 2018. During the consultation, the officials advised us that, no rules or regulations in relation to the aforementioned preferential tax treatments have been promulgated in Shanghai as of that date. However, relevant government authorities may promulgate detailed rules and regulations regarding the preferential tax treatments that may be enjoyed by a for-profit private school in the future. There is a possibility that such rules and regulations will reduce or eliminate the preferential tax treatments currently enjoyed by our University. The unavailability of any favorable tax treatments currently available to our University at the same level as historically would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

We were not required to pay PRC enterprise income tax in respect of income we recorded from the provision of formal educational services during the Track Record Period. Following the execution of the Contractual Arrangements, Gench WFOE is currently subject to PRC enterprise income tax rate of 25% and value-added tax of 6% in respect of the service fees it receives from our PRC Affiliated Entities. Such tax rates are subject to change and may have a significant impact on our profitability.

In addition, in order to incentivize the development of the local economy, the Shanghai Lingang Enterprise Services Bureau* (上海臨港地區企業服務局) has agreed to provide Gench WFOE government grants going forward. We received a letter from such authority on December 12, 2018 confirming that Gench WFOE will be able to enjoy such government grants amounting to 22.75% of the total amount of the value-added tax to be paid by Gench WFOE and 14% of the total amount of the enterprise income tax to be paid by Gench WFOE. However this arrangement is subject to any policy change by the government and we cannot assure you for how long or if we will be able to enjoy such government grants under the arrangement. Also, such arrangement does not specify how often such government grants will be provided. If such arrangement is cancelled for any reason in the future, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

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

We depend on our senior management and school administrators for the smooth operation of our University and execution of our business plans. The continuing services of our executive Directors, senior management team and the principal of our University 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 qualified and experienced teachers in the private education industry in China and in particular, in Shanghai, is intense, and the pool of qualified candidates is very limited. We may not be able to retain qualified personnel in the future. In the event we lose their services, or if any key teaching personnel joins our competitors or forms a competing company, we may not be able to retain our teachers, students and other professionals, which could have a material and adverse effect on our business, results of operations and financial condition.

We own and operate a single university and are exposed to significant concentration risks.

During the Track Record Period, we owned and operated a single private university in Shanghai, Shanghai Jian Qiao University, which generated virtually all of our revenue. As such, we are exposed to significant concentration risks and any adverse effect on the reputation, performance, facilities or profitability of our University due to risks highlighted in this section or otherwise effectively applies to our entire business. In addition, as all of our facilities are located in Shanghai and approximately 44.5% of our students come from Shanghai in the 2019/2020 school year, and we anticipate that the vast majority of our business operations and source of revenue in the foreseeable future will likely continue to be concentrated in Shanghai, we are therefore exposed to geographic concentration risks if Shanghai experiences any event negatively affecting its education industry, such as negative changes in local government policies relating to private education services, a serious economic downturn, a natural disaster or an outbreak of a contagious disease, our business, financial condition, results of operations and growth prospects may be materially and adversely affected. In addition, if the relevant government authorities in Shanghai Municipality implement additional rules and regulations restricting our enrollment growth, limiting the tuition or fees we may charge, or otherwise negatively impacting our business, our results of operations and growth prospects may be materially and adversely affected.

We maintain limited insurance coverage.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business-related insurance products. We do not maintain any business-related insurance, which is not mandatory under the PRC laws. 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 University, 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. Any business disruption, litigation or legal proceedings or natural disasters, 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.

We recorded net current liabilities during the Track Record Period and may record net current liabilities in the future.

We rely on a combination of funds generated from our operations and loans from banks and other financial institutions to finance our business operations and expansion during the Track Record Period. As of June 30, 2019, we had an aggregate of RMB1,156.3 million of bank loans and other borrowings. As of October 31, 2019, being the latest practicable date for the purpose of our indebtedness statement, we had an aggregate of RMB1,069.3 million of bank loans and other borrowings. As of December 31, 2016, 2017 and 2018, June 30, 2019, and October 31, 2019, we had a net current liabilities position of RMB679.7 million, RMB490.8 million, RMB250.0 million, RMB327.7 million, and RMB584.6 million, respectively. Our gearing ratio was 1.8, 2.0, 1.3 and 1.2, as of December 31, 2016, 2017 and 2018, and June 30, 2019, respectively. Our high level of indebtedness could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, and thus, reduce the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- reduce our ability to obtain financing in the future; and
- increase our exposure to interest rate fluctuations.

Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of other payables, deposits received, and accruals and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. 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. We also cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our University will not materially and adversely impact the current or future level of our working capital.

In addition, our financial statements included in this prospectus have been prepared on a going-concern basis, which takes 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.

We had negative net operating cash flow for the six months ended June 30, 2018 and 2019.

For the six months ended June 30, 2018 and 2019, we recorded cash outflows from operating activities of approximately RMB175.7 million and RMB104.4 million, respectively. Our cash outflows for the six months ended June 30, 2018 and 2019 were primarily due to the effect of seasonality as our University typically receives most of our tuition fees and boarding fees from students in the second half of the year while our University still needs to 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 could negatively affect our business operations. Our future liquidity, the payment of 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 are 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.

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

We could be held liable for the accidents or injuries or other harm to students or other people at our University, including those caused by or otherwise arising in connection with the facilities or employees of our University. We could also face claims alleging that we were negligent, provided inadequate maintenance to our University facilities or fail to properly supervise our employees and therefore may be held liable for accidents, incidents or injuries suffered by our students or other people at our University. In addition, if any of our students or teachers or anyone else on our University premises commits any act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Our University may be perceived to be unsafe, which may discourage prospective students from applying to or attending our University. 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 outsource the meal catering and medical care services for our University to Independent Third Parties and, as a result, we cannot guarantee that the quality and price of the food/medical care services they provide are always the best available and we may be exposed to potential liability if food/medical care services quality does not comply with relevant standards.

During the Track Record Period, our University outsourced all the meal catering services, including five canteens, and the medical care services on campus to Independent Third Parties. Our University generally entered into three- to ten-year agreements with these Independent Third Parties. Our University monitors the quality of the services provided by these Independent Third Parties strictly. We employ food safety management personnel to regularly conduct inspections of the daily operation of the canteens at our University. However, we cannot assure you that we will be able to monitor the food preparation process to ensure its quality or require the Independent Third Parties to adhere to our food quality standards. In addition, we cannot assure you that we will be able to monitor the medical services provided by such Independent Third Party to ensure their quality. In the event poor food quality results in any serious health violations or medical emergencies, such as mass food poisoning, or any improper medical treatment results in harm to any of our students, our business, financial condition and reputation 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 and 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-industry collaboration programs, academic courses and other activities. In addition, we collaborate with certain universities domestically and internationally. We also have supply contracts with various construction companies, textbook suppliers, utility suppliers and other suppliers. We cannot assure you that disputes will not arise from these collaborations and contracts or that our business partners and suppliers will not bring claims 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 operations.

Furthermore, we cannot assure you 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 damages, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

Under relevant PRC laws and regulations, an executed lease needs to be registered and filed with the relevant authorities. While, according to our PRC Legal Advisors, the lack of registration will not affect the validity and enforceability of the lease agreements, a fine ranging from RMB1,000 to RMB10,000 for each such lease agreement may be imposed on the parties to an unregistered lease. As of the Latest Practicable Date, we had three and 25 lease agreements for which we act as lessee and lessor, respectively, which had not been registered with relevant PRC government authorities. See "Business – Properties – Leased properties" for details. As of the Latest Practicable Date, no fine or penalty had been imposed on us by the relevant PRC authorities. However, we cannot assure you that the relevant government authorities will not require us to register all such lease agreements or impose fines on us, which may materially and adversely affect our business, financial condition and results of operations.

The construction of new buildings on our campus and addition of property, plant and equipment in connection with our expansion strategies may result in an increase in depreciation costs which may materially and adversely affect our business, financial condition and results of operations.

We have completed the construction of additional academic, administrative and boarding facilities in connection with our expansion strategy. See "Business – Our Business Strategies – Enhance our profitability by optimizing our pricing and increasing student enrollment at our University" and "Business – Properties – Buildings under construction" for details. Following the completion of the construction of the aforementioned new facilities on our campus, we expect to increase our annual depreciation costs by approximately RMB1.6 million in 2019, and approximately RMB4.8 million per annum in 2020 and 2021.

In addition, we plan to expand our network abroad by establishing a higher education institution in the State of California, the United States. See "Business – Future Development – Overseas college" for details on this expansion plan. The establishment of such US-based higher education institution may cause us to incur additional depreciation costs in relation to the additional property, plant and equipment we will obtain.

Such increases in our depreciation costs could result in a decrease in our profit, and may materially and adversely affect our business, financial condition and results of operations.

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 position 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 copyright, 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 Chinese 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 University and programs do not or will not infringe intellectual property rights of third parties. As of the Latest Practicable Date, we did not encounter any material claims 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 affect our educational programs. Any similar claim against us, even without any merit, could also hurt our reputation and brand image. Any such event could have a material and adverse effect on our business, financial condition and results of operations.

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

According to the Guarantee Law of the PRC (《中華人民共和國擔保法》) and the Property Law of the PRC (《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 University owns and occupies may be considered "public welfare facilities" according to the Law for Promoting Private Education (2003) (《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 are not allowed to be pledged as collateral when our University enters into loan agreements with banks. In such cases, our University's ability to obtain financing to fund its operations will be limited. Even if collateral is meant to be created based on such properties under any loan agreement to be entered into between our University and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC, as a result of which, our University's ability to obtain financing to fund their operation is limited.

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 our University. If our security measures are breached as a result of actions by third-parties, employee error, malfeasance or otherwise, third parties may receive or be able to access student records, which could subject us to liabilities, interrupt our business and adversely impact our reputation. In addition, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential educational information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

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 the PRC. In particular, as most of our students are boarding students, the boarding environment makes our students 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 University, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occur, our University 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 University. If this takes place, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

We entered into a series of agreements in which our wholly-owned subsidiary, Gench WFOE, receives economic benefits from our PRC Affiliated Entities pursuant to relevant clauses under the agreements. See "Contractual Arrangements" in this prospectus for more information.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Negative List, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in the higher education industry in cooperative ways and the domestic party shall play a dominant role in the cooperation. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《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 joint venture educational institution should be below 50%. According to relevant regulations, the foreign investors invested in higher education must be foreign education institutions, with relevant qualifications and experience. See "Regulatory Overview" in this prospectus for more information. Accordingly, although foreign investment in the higher education is not prohibited, we are still ineligible to operate a higher education institution by the way of share control. See "Contractual Arrangements – Background of the Contractual Arrangements" in this prospectus for further information. Accordingly, we have been and are expected to continue to be dependent on the Contractual Arrangements to operate our education business.

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

- revoking the business and operating licenses of our PRC subsidiaries;

- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries;
- imposing fines or other requirements with which we or our PRC subsidiaries 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 business, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the use of proceeds from our additional public offering or financing to finance our business and operations in China.

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

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

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and will take effect on January 1, 2020. The Foreign Investment Law will replace the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates three forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "*foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council*". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

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

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

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

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

In addition, while each of the Registered Shareholders and Jian Qiao Group pursuant to the Contractual Arrangements pledged and granted first priority security interests over all of his or its equity interest in our School Sponsors together with all related rights thereto to Gench WFOE as collateral security for performance of the Contractual Arrangements and all such loss and expenses incurred to Gench WFOE as a result of any events of defaults on the part of the Registered Shareholders or our PRC Affiliated Entities, there is no equity pledge arrangement between our Company and our School Sponsors in respect of the school sponsors' interest in our University held by our School Sponsors. As advised by our PRC Legal Advisors, any equity pledge arrangement where our School Sponsors pledge their school sponsor's interest in our University in favour of us would be unenforceable under the PRC laws and regulations.

If the parties under such Contractual Arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our PRC Affiliated Entities. If we were to lose effective control over our PRC Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our PRC Affiliated Entities with our financial results. Given that revenue from our PRC Affiliated Entities constituted all of the total revenue in our consolidated financial statements during the Track Record Period, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Affiliated Entities. In addition, losing effective control over our PRC Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over our PRC Affiliated Entities is based upon the Contractual Arrangements with our PRC Affiliated Entities, the Registered Shareholders and the directors of our University as appointed by our School Sponsors. Our School Sponsors are the direct holders of our school sponsors' interest in our University and the Registered Shareholders, being shareholders of Jian Qiao Group, or their beneficial owners are also shareholders of our Company. Our School Sponsors or the Registered Shareholders 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 our PRC Affiliated Entities on the other hand, the Registered Shareholders or their beneficial owners 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 our PRC Affiliated Entities or the Registered Shareholders 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 operations could be materially and adversely affected.

We may not be able to meet the Qualification Requirement.

Pursuant to the Negative List and the Sino-Foreign Regulation, the foreign investor in a Sino-foreign joint venture higher education institution must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement"), holds less than 50% of the capital investment in the Sino-foreign joint venture private school ("Foreign Ownership Restriction") and the domestic party shall play a dominant role ("Foreign Control Restriction"). According to our consultation with Shanghai Municipal Education Commission, there are no implementing measures or specific guidance on the Qualification Requirement and therefore Shanghai Municipal Education Commission will not accept an application to recognise our University or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. However, Shanghai Municipal Education Commission confirmed that it is possible that approval may be granted to an investor that is an education institution that meets the local education requirement in a foreign country, which gradually accumulates education experience and reputation overseas to be stipulated in the implementing measures or guidance, in order to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. 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 "Contractual Arrangements – Background of the Contractual Arrangements – 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 Contractual Arrangements by acquiring the school sponsors' interests in our University before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Contractual Arrangements by acquiring the school sponsors' interests in our University before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for operating schools and forced to cease operation of our University, which could have a material adverse effect on our business, financial condition and results of operations.

Our exercise of the option to acquire school sponsor's interest in our University and equity interest in our School Sponsors may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Contractual Arrangements.

We may incur substantial cost on our part to exercise the option to acquire the school sponsors' interests in our University and equity interest in our School Sponsors. Pursuant to the Exclusive Call Option Agreement, Gench WFOE or its designated purchaser has the exclusive right to purchase all or part of the school sponsors' interest of in our University and the equity interest in our School Sponsors at the lowest price permitted under the PRC laws and regulations. In the event that Gench WFOE or its designated purchaser acquires such school sponsors' interests or equity interest and the relevant PRC authorities determine that the purchase price for acquiring the school sponsors' interest or equity interest is below market value, Gench WFOE or its designated purchaser may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

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

Furthermore, following the implementation of a "variable interest entity" structure with the execution of the Contractual Arrangements on December 11, 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 University's net profit would be required to be retained by our University for its working capital as development fund and statutory surplus reserve, and the profit attributable to our Gench WFOE would only be approximately 75%. We estimate that, based on current prevailing laws and regulations, our net profit would have decreased by approximately 39.5%, 26.1%, 21.3% and 24.6% for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, respectively, in the worst case scenario. See "Contractual Arrangements – Background of the Contractual Arrangements" for background information of the Contractual Arrangements in this prospectus.

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

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

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

We are a holding company and rely principally on dividends paid by our subsidiary 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 Gench WFOE in turn depends on the service fees paid by our PRC Affiliated Entities. Current PRC laws and regulations permit our subsidiary in China to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC laws and regulations, Gench WFOE may only distribute after-tax dividends after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, our University that is a private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, our University, no matter whether it requires reasonable returns, are required to allocate no less than 25% of their annual net income to the development fund of our University.

Our University may be subject to limitations on its ability to operate private education or make payments to related parties.

The principal regulations governing private education in China are the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), which became effective as of 2003 and was revised in 2013 ("Previous Law for Promoting Private Education"), and the Implementing Regulations 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 "Implementing Regulations"). Under these regulations, a private school may elect to be a school that does not require reasonable returns or a school that requires reasonable returns. A private school that does not require reasonable returns cannot distribute dividends to its school sponsors. At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that requires reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that does not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any. The school sponsors of our University elected not to require reasonable returns under the Previous Law for Promoting Private Education. A private school shall consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, the then PRC laws and regulations did not provide a formula or guidelines for determining what constituted a "reasonable return". In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that requires reasonable returns or a school that does not require reasonable returns. Pursuant to the 2016 Decision, school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school. School sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so. According to the 2016 Decision, private schools will no longer be categorized as schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit schools have not been promulgated by local governmental authorities, there are uncertainties involved in interpreting and implementing the 2016 Decision with respect to various aspects of the operations of a private school. Therefore, we cannot assure that the detailed rules and regulations to be promulgated by local governmental authorities would not impose restrictions on our ability to operate private schools or to make payments to Gench WFOE under the Contractual Arrangements, which may have a material adverse impact on the Group's business operations and prospects.

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

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders mainly depends on our ability to receive dividends and other payment from Gench WFOE. The amount of dividends and other payment paid to us by Gench WFOE depends on the service fees received by Gench WFOE from our PRC Affiliated Entities. Our PRC Legal Advisors advise us that Gench WFOE's right to receive the service fees from our PRC Affiliated Entities 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 these Contractual Arrangements. If relevant PRC government authorities take a different view to our PRC Legal Advisors, they may seek to confiscate any or all of the service fees that have been paid by our PRC Affiliated Entities to Gench WFOE, including retrospectively, to the extent that such service fees are paid in the name of "reasonable returns" to our School Sponsors in violation of PRC laws and regulations. As a result, our ability to pay dividends and other cash distributions to our Shareholders may be substantially limited.

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

We currently conduct our operations in China through Contractual Arrangements with our PRC Affiliated Entities and the Registered Shareholders. As part of these arrangements, substantially all of our education-related assets that are important to the operation of our business are held by our PRC Affiliated Entities. If any of our PRC Affiliated Entities 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 Registered Shareholders in accordance with the applicable PRC laws and regulations and articles of association of our PRC Affiliated Entities, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, our PRC Affiliated Entities may be required to distribute their assets to other persons of higher priority than the Registered Shareholders, or the owner or unrelated third-party creditors of our PRC Affiliated Entities 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. Pursuant to the Contractual Arrangements, in the event of the dissolution or liquidation of our PRC Affiliated Entities, Gench WFOE and/or its designated person shall have the right to exercise all of the school sponsors' rights on behalf of our School Sponsors and shareholder's rights on our School Sponsors and Gench WFOE shall instruct all of our PRC Affiliated Entities to transfer assets directly to Gench WFOE or other persons designated by our Company before such dissolution or liquidation, however 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 China 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 China 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 China 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 China;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- 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 PRC Affiliated Entities; which could materially and adversely affect our liquidity and our ability to fund and expand our business operations.

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC Affiliated Entities, (ii) make additional capital contributions to our PRC subsidiary, (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 Gench WFOE cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;

- loans by us to our PRC Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and

- capital contribution to our University must be approved by the MOE and the Ministry of Civil Affairs or their respective local counterparts.

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

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. The majority of our income is received in Renminbi and shortages in the availability of foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under the 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 legal requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

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

The value of the Renminbi has been under pressure of depreciation in recent years. Due to international pressures on China to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in China and abroad and the balance of payments situation in China, 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.

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 China 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 China, 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 China may be protracted and result in substantial costs and the diversion of resources and management attention.

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

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in China or to enforce against them or us in China 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. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under such an arrangement, where any designated people's court in China 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 China 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.

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

If we are classified as a PRC "resident enterprise", we could be subject to PRC 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 gain 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 China, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax 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 China, we may be recognized as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

The unavailability of any financial subsidies that we have enjoyed could materially and adversely affect our results of operations.

We received government grants of RMB58.3 million, RMB83.7 million, RMB94.0 million and RMB19.5 million, respectively, in the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, primarily were granted by the local government for the purpose of incentivizing the development of local economy. In these same periods, we recorded RMB0.7 million, RMB10.9 million, RMB15.1 million and RMB1.5 million, respectively, of government grants as other income. See "Financial Information – Campus Relocation" and note 26 to the Accountants' Report in Appendix I to this prospectus for further details. There is no assurance that we will be able to continue to enjoy the financial subsidies described above at the historical levels, or at all. Any change, suspension or termination of these financial subsidies to us could adversely affect our business, financial condition and results of operations.

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 met 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 Representative (for itself and 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 operate and compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;

- general market sentiment regarding the PRC education industry;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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

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$4.07 per Share and HK$4.48 per Share, respectively, assuming an Offer Price of HK$6.05 per Offer Share and HK$7.73 per Offer Share, respectively 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 400,000,000 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 the 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 Capitalization Issue and the Global Offering (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 be directly or indirectly interested in approximately 38.29% 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.

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, to expand our business, improve our financing structure and repay short-term bank loans, and fund our working capital and general corporate purpose. See "Future Plans and Use of Proceeds – Use of Proceeds" for more information. 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 Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. 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, 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. Zheng Xiangzhan (鄭祥展), our executive Director, and Mr. Wong Yu Kit (黃儒傑), our joint company secretary, respectively. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. Mr. Zheng Xiangzhan (鄭祥展) confirmed that he possesses and can apply valid travel documents to Hong Kong and Mr. Wong Yu Kit (黃儒傑) 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 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) all Directors will provide their 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 TC Capital International Limited as its compliance advisor, who will act as an additional channel of communication with the Stock Exchange. The compliance advisor 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 advisor, 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 advisor; and

(e) Each Director who is not ordinarily resident in Hong Kong has confirmed that he 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.

JOINT COMPANY SECRETARIES

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

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

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

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

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

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

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

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

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

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhou Qiaoqi (周喬琪), the assistant to the chairman of Jian Qiao Group, and Mr. Wong Yu Kit (黃儒傑) as the joint company secretaries of our Company. Mr. Wong Yu Kit is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom and therefore satisfies the requirements under Rules 3.28 and 8.17 of the Listing Rules pursuant to Note 1 of Rule 3.28 of the Listing Rules. On the other hand, Mr. Zhou Qiaoqi is not a member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister (as defined in the Legal Practitioners Ordinance) nor a certified public accountant (as defined in the Professional Accountants Ordinance), as required under Rules 3.28 and 8.17 of the Listing Rules. However, the Directors consider that Mr. Zhou Qiaoqi, by virtue of his background and experience, is capable of discharging the functions of a joint company secretary. For further details about the qualifications and experience of Mr. Zhou Qiaoqi, see "Directors and Senior Management – Joint Company Secretaries" in this prospectus. Mr. Zhou Qiaoqi is therefore experienced in business management and has a thorough understanding of the daily operations of our Group. Mr. Zhou Qiaoqi has been actively involved in the Listing of our Company since the preparatory period, hence he is familiar with the legal and the Listing Rules' requirements and has been assisting the Board on governance matters. Mr. Zhou Qiaoqi as a member of senior management, also attended a training seminar regarding the responsibility of directors of listed companies delivered by our Company's legal advisers as to Hong Kong laws to the Directors and senior management of our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on condition that we engaged Mr. Wong Yu Kit, who possess all the requisite qualifications required under Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Mr. Zhou Qiaoqi in discharging his duties as a company secretary and in gaining the "relevant experience" as required under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Mr. Wong Yu Kit ceases to provide assistance to Mr. Zhou Qiaoqi during the three-year period. At the end of the three-year period, our Company has to liaise with the Stock Exchange. Our Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Mr. Zhou Qiaoqi, having had the benefit of Mr. Wong Yu Kit's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into certain agreements and arrangements with our connected persons 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 such continuing connected transactions under Chapter 14A of the Listing Rules. For further details, see the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes 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 purposes of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed among us and the Sole Representative (for itself and on behalf of the Underwriters), the Global Offering will not proceed. For further details about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes 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 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 16, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, January 16, 2020. The Shares will be traded in board lots of 500 Shares each, the stock code of the Shares will be 1525.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposal of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

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

No stamp duty is payable by applicants in the Global Offering. Dealings in the Shares registered in our Hong Kong share register will be subject to stamp duty in Hong Kong. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange 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 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 arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

STABILIZATION AND OVER-ALLOTMENT OPTION

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

OTHER

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

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.89897 = HK$1.00 or RMB7.0383 = US$1.00, respectively, and certain amounts denominated in U.S. dollars have been translated into Hong Kong dollars at an exchange rate of US$1.00 = HK$7.8293, 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 an identification purpose only.

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhou Xingzeng (周星增) (*chairman*)	No. 415, Lane 2731 Hunan Highway Pudong New Area Shanghai PRC	Chinese
Mr. Zheng Xiangzhan (鄭祥展)	No. 202, Sub-Lane 6, Lane 1168 Xiuyan Road Pudong New Area Shanghai PRC	Chinese
Mr. Shi Yinjie (施銀節)	No. 539, Lane 415 Longdong Avenue Zhangjiang Town Pudong New Area Shanghai PRC	Chinese
Non-executive Director		
Mr. Zhao Donghui (趙東輝)	Room 602, Unit 1 Building 2 Jinse Haian No. 6 Fuchun Road Shangcheng District Hangzhou, Zhejiang Province PRC	Chinese
Independent non-executive Directors		
Mr. Chen Baizhu (陳百助)	1987 San Salvatore Place San Marino, CA 91108 United States	Chinese
Mr. Hu Rongen (胡戎恩)	No. 179, Lane 388 Sichen Highway Songjiang District Shanghai PRC	Chinese
Ms. Liu Tao (劉濤)	No. 121, Lane 8888 Zhongchun Road Minhang District Shanghai PRC	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Sole Representative	**Macquarie Capital Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**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
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
	Essence International Securities (Hong Kong) Limited 39/F, One Exchange Square Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road
Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Luk & Partners
In Association with
Morgan, Lewis & Bockius
Suites 1902-09, 19th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisors to the Sole Sponsor and the Underwriters

As to Hong Kong law:
Herbert Smith Freehills
23rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	**Cushman & Wakefield Limited** 16/F Jardine House 1 Connaught Place Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, PRC
Receiving bank	**CMB Wing Lung Bank Limited** 16th Floor, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Compliance advisor	**TC Capital International Limited** Suite 1903-1904 19/F, Tower 6 The Gateway, Harbour City 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong

Registered office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	No. 1111, Huchenghuan Road Pudong New Area Shanghai PRC
Principal place of business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's website	**http://www.genchedugroup.com** *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	Mr. Zhou Qiaoqi (周喬琪) No. 415, Lane 2731 Hunan Highway Pudong New Area Shanghai PRC Mr. Wong Yu Kit (黃儒傑) (ACS, ACIS) 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorised representatives	Mr. Zheng Xiangzhan (鄭祥展) No. 202, Sub-Lane 6, Lane 1168 Xiuyan Road Pudong New Area Shanghai PRC Mr. Wong Yu Kit (黃儒傑) 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong

Audit committee	Ms. Liu Tao (劉濤) *(Chairman)* Mr. Hu Rongen (胡戎恩) Mr. Chen Baizhu (陳百助)
Remuneration committee	Mr. Hu Rongen (胡戎恩) *(Chairman)* Mr. Zheng Xiangzhan (鄭祥展) Ms. Liu Tao (劉濤)
Nomination committee	Mr. Zhou Xingzeng (周星增) *(Chairman)* Mr. Hu Rongen (胡戎恩) Mr. Chen Baizhu (陳百助)
Principal Banks	**Agricultural Bank of China** **(Shanghai Pudong Branch)** No. 379 Pudong South Road Pudong New Area Shanghai, PRC **Huaxia Bank** **(Lingang Branch)** No. 2899 Hongyin Road Pudong New Area Shanghai, PRC **Pingan Bank** **(Shanghai Daning Branch)** Floor 1, No. 1588 Gonghexin Road Jingan District Shanghai, PRC **China Construction Bank** **(Jinqiao Branch)** No. 196 Xinjinqiao Road Pudong New Area Shanghai, PRC **China Minsheng Bank** **(Luwan Branch)** No. 238 Xizang South Road Huangpu District Shanghai, 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 and other sections of this prospectus contain information relating to and statistics on the PRC economy and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan, an Independent Third Party which we commissioned. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information and statistics have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering (other than Frost & Sullivan) and no representation is given as to its accuracy. Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the higher education market in China. Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a fee of RMB1.09 million for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

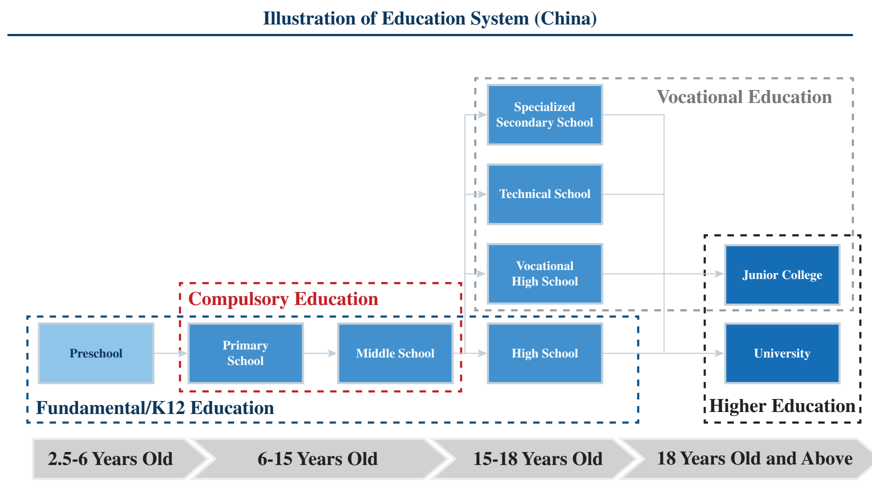
During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary research which involves discussions of industry status with leading industry participants and industry experts, and secondary research which involves review of company reports, independent research reports and data from Frost & Sullivan's own research database. Frost & Sullivan's market research report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) related industry key drivers are likely to drive the market over the forecast period from 2019 to 2023. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry analysis by Frost & Sullivan.

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

OVERVIEW OF THE EDUCATION SYSTEM IN CHINA

Overview

Generally, China's regular education system can be categorized into formal and non-formal education. Formal education comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education, which is comprised of junior college and university. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the non-formal education system merely enables students to obtain completion certificates for the training and learning courses they have taken, which are not officially recognized by the PRC government.

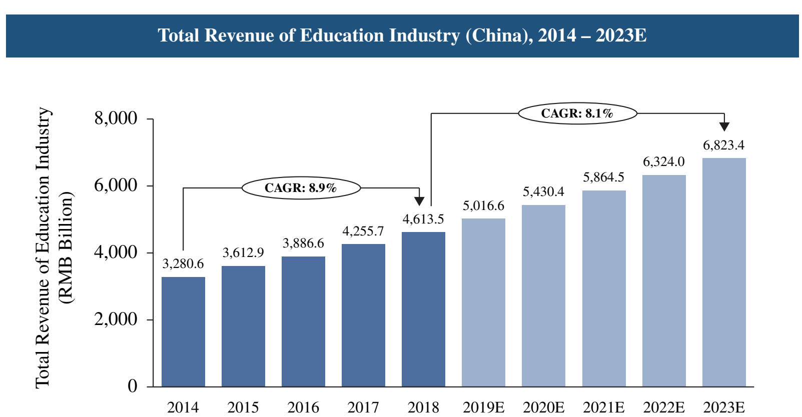


Source: Frost & Sullivan

Note: University includes both regular universities and independent colleges.

Market Size

China's education industry has experienced steady growth over the past five years. According to the MOE, the total revenue of China's education industry increased from RMB3,280.6 billion in 2014 to RMB4,613.5 billion in 2018, representing a CAGR of 8.9%. According to Frost & Sullivan, the total revenue of China's education industry is expected to increase from RMB4,613.5 billion in 2018 to RMB6,823.4 billion in 2023, representing a CAGR of 8.1%. The following chart shows the historical and projected total revenue of China's education industry from 2014 to 2023:



Source: Frost & Sullivan

While the PRC government has continued to increase its budget on education, compared with developed countries, China still lagged behind as of 2018 in terms of public expenditure on education as a percentage of GDP. For example, China's public expenditure on education in 2018 was approximately 4.1% of its GDP, which was less than that of the United States (5.0%), France (5.5%) and United Kingdom (5.5%), according to the Frost & Sullivan Report. Going forward, the PRC government is expected to further strengthen its investment in education.

Despite increasing public expenditure on education, the Chinese per capita annual expenditure on education grew from RMB624 in 2014 to RMB854 in 2018, representing a CAGR of 8.2%, which was associated with the increasing annual disposable income of urban households in China. Looking forward, with the increasing wealth of Chinese households and continued consciousness of Chinese parents regarding their children's education, the per capita annual expenditure on education is likely to reach RMB1,280 by 2023 representing a CAGR of 8.4% from 2018 to 2023, according to the Frost & Sullivan Report.

Development Trends

According to the Frost & Sullivan Report, the education industry in China is likely to grow further in the future as a result of an increase in annual disposable income for urban households, government policy support and parents' emphasis on their children receiving a well-rounded education in addition to obtaining high examination scores. Additionally, the PRC government has issued policies favorable to the development of profession-oriented undergraduate education in China. As the One-Child Policy has been relaxed and the Two-Child Policy implemented, the birth rate increased from 2010 to 2016, but decreased in 2017 and is expected to remain stable going forward. The higher birth rate will lead to a larger number of students when these newborns reach school age and a higher demand for education. These factors will likely drive China's education market to grow further.

OVERVIEW OF THE HIGHER EDUCATION INDUSTRY IN CHINA

Overview

Higher education institutions in China can be divided into two categories, namely, public higher education institutions which refers to higher education institutions established and operated by the PRC national or local governments, and private higher education institutions which normally are established by individuals or private entities. The majority of the funding for public higher education institutions comes from national fiscal expenditure of education with only a minor part of funding being contributed by tuition fees and other charges. In contrast, the major source of funding for private higher education institutions comes from income from school operations, tuition and other miscellaneous fees.

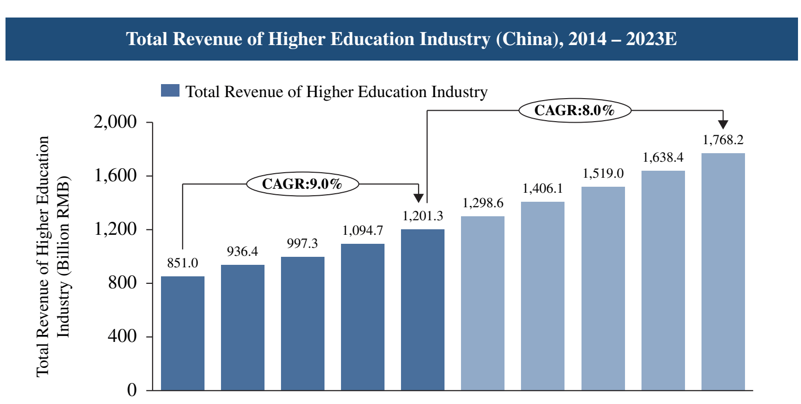
According to the Frost & Sullivan Report, the total number of graduates from higher education institutions in China has risen steadily from 6.9 million in 2013 to 7.9 million in 2017. The employment rate of graduates has been a critical parameter to measure the quality of a higher education institution. China's overall initial employment rate of higher education graduates remained relatively stable and was approximately 77.4%, 77.5%, 77.7%, 77.9% and 78.4% in 2013, 2014, 2015, 2016 and 2017[(1)], respectively, according to the Frost & Sullivan Report.

Note:

(1) China's overall initial employment rate of higher education graduates in 2018 was not available as of the Latest Practicable Date.

Market Size

According to the Frost & Sullivan Report, China's higher education industry has experienced steady growth over the past five years. According to the MOE, the total revenue (經費總收入) of China's higher education industry increased from RMB851.0 billion in 2014 to RMB1,201.3 billion in 2018, representing a CAGR of 9.0%. According to the Frost & Sullivan Report, the total revenue of China's higher education industry is expected to continue to increase from RMB1,201.3 billion in 2018 to RMB1,768.2 billion in 2023, representing a CAGR of 8.0%. The following chart shows the historical and projected total revenue of China's higher education industry from 2014 to 2023:



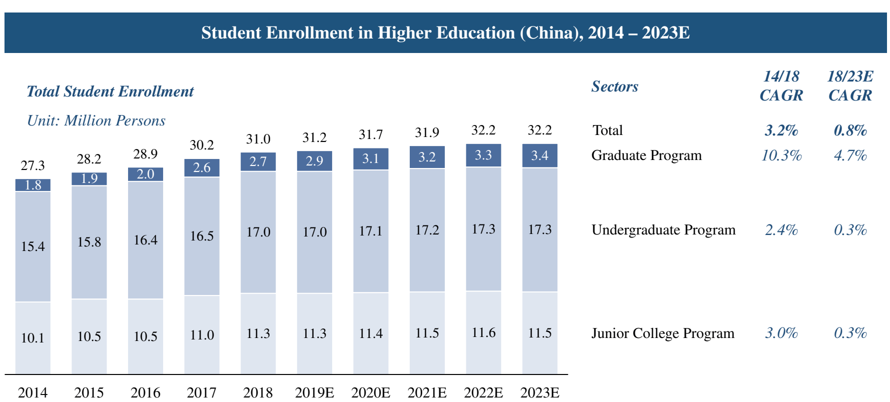
Source: Frost & Sullivan

According to the Frost & Sullivan Report, the total revenue (經費總收入) of the PRC higher education industry is calculated by aggregating (i) the total PRC government public expenditure allocated to schools in the PRC higher education industry by the central government and local governments, (ii) funding provided to private schools by private investors, (iii) revenue generated from donations received and fundraising by schools, (iv) revenue generated by schools from teaching, research and other activities (such as tuition and school-run businesses), and (v) other educational funding or school revenue. While an increase in student enrollment will lead to a higher revenue from tuition fees, it is not the only factor affecting the total revenue of the higher education industry. The PRC government public expenditure contributes the majority of the total revenue of higher education industry. Additionally, the amount of the total PRC government public expenditure allocated to public schools is significantly higher than that allocated to private schools. In 2018, revenue generated by schools from tuition fees contributed approximately 75% of the total revenue of the private higher education industry, while it only contributed approximately 15% of the total revenue of the public higher education industry.

As a result, after taking into account other factors affecting the total revenue of the PRC higher education industry, private higher education only contributed approximately 9.8% of the total revenue for the overall higher education industry in China in 2018, despite the fact that it contributed approximately 20.9% of the total student enrollment.

Student Enrollment

Student enrollment at higher education institutions in China has grown steadily over the last five years. According to the Frost & Sullivan Report, student enrollment in higher education increased from 27.3 million in 2014 to 31.0 million in 2018, representing a CAGR of approximately 3.2% and is expected to increase from 31.0 million in 2018 to 32.2 million in 2023, representing a CAGR of approximately 0.8%. The following chart shows the historical and projected total student enrollment in China's higher education industry from 2014 to 2023:



Source: Frost & Sullivan

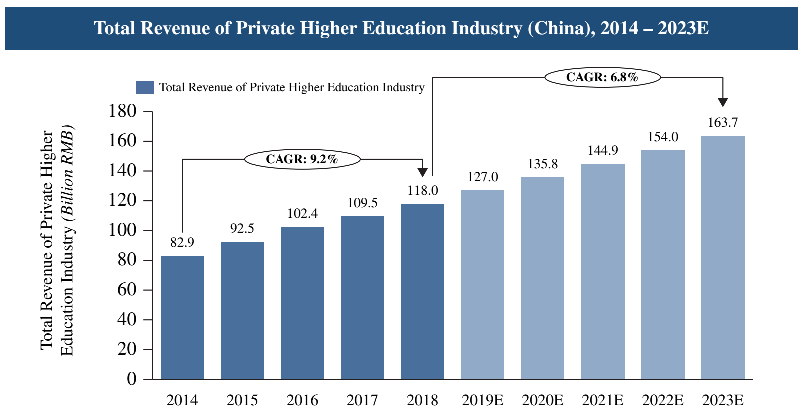
OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

Overview

The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as the relevant government authorities made great endeavors in developing the regulatory framework for private higher education, according to the Frost & Sullivan Report. Private higher education in China can be divided into three categories: private regular universities or colleges (民辦普通大學或學院), private junior colleges (民辦普通專科) and independent colleges (獨立學院).

Market Size

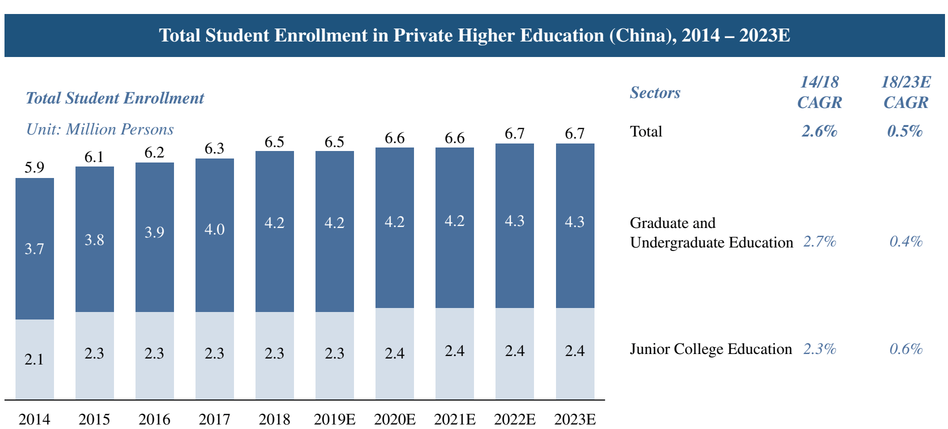
According to the Frost & Sullivan Report, the total revenue of the private higher education industry has been increasing steadily from RMB82.9 billion in 2014 to RMB118.0 billion in 2018, representing a CAGR of 9.2%, and is expected to increase from RMB118.0 billion in 2018 to RMB163.7 billion in 2023, representing a CAGR of 6.8%. The following chart illustrates the historical and projected total revenue of China's private higher education industry from 2014 to 2023:



Source: Frost & Sullivan

Student Enrollment

According to the Frost & Sullivan Report, total student enrollment in private higher education in China increased from 5.9 million in 2014 to 6.5 million in 2018, representing a CAGR of approximately 2.6%, and is expected to increase from 6.5 million in 2018 to 6.7 million in 2023, representing a CAGR of approximately 0.5%. The following chart shows the historical and projected total student enrollment of China's private higher education industry from 2014 to 2023:



Source: Frost & Sullivan

While student enrollment in private higher education in China from 2018 to 2023 is expected to grow relatively slowly, revenue from China's private higher education industry is still expected to witness steady growth, primarily due to (i) increasing disposable income, and (ii) growing expenditure on education of Chinese families. The per capita disposable income in China grew at a CAGR of 8.8% from 2014 to 2018, and is expected to grow at a CAGR of 8.6% from 2018 to 2023. The per capita expenditure on education in China witnessed faster growth than the overall per capita annual expenditure, representing a CAGR of 8.2% from 2014 to 2018, and is expected to grow at a CAGR of 8.4% from 2018 to 2023. Private higher education institutions in China became more recognizable by society and more acceptable by students because of their successful track record of operations.

Market Drivers

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

- ***Increasing resident income and demand for higher education:*** With the increase in household income and improvement of living conditions in China, the 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. According to the Frost & Sullivan Report, with continued economic development and Chinese households' increasing income and wealth, China's higher education student enrollment rate is expected to continue to increase at a rapid pace. Nevertheless, according to Frost & Sullivan, the development of public educational resources is likely to remain relatively stable, and private education is expected to fill in the gap and thus experience strong development.
- ***Growing market demand for technical talents:*** As China's economy continues to develop, the Chinese market needs more technical talent in many areas. As public higher education tends to focus on academic training, there is a significant lack of skilled and well-trained frontline technicians in China, according to Frost & Sullivan. The growing market demand for technical talents will attract more students to private higher education.
- ***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 the General Office of the State Council of PRC and the Law for Promoting Private Education of the PRC to promote the development of private higher education. These policies and regulations support the growth of the market.
- ***Increasing diversification and strengthened education quality:*** With strong governmental policy support and the ability of private education groups to integrate resources, the quality of private formal higher education is continuously improving. The emergence and development of leading private universities, which offer high-quality education programs, indicates an upgrade of the private higher education market in China. Meanwhile, private education institutions that focus on professional education are expanding course offerings and increasing the level of specialization in different areas. Such developments are expected to attract more students and drive the growth of the higher education market.

Development Trends

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

- ***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 ability to integrate quality academic and capital resources, as well as their continuously improving education quality and recognition. This trend is also supported by the increasing demand for higher degree levels and increased spending on education in China;
- ***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 preferred due to the stringent legal requirements for the establishment of universities, the large amount of required capital and long preparation period necessary for the establishment of universities; and
- ***Better match of talent cultivation objective and market demand:*** A number of private universities focus on providing technical knowledge and skills in the areas of applied sciences and technology. This focus is in line with job market trends as students with strong practical skills are expected to be in considerable demand in China's employment market. The PRC government is expected to further increase its support for the development of profession-oriented higher education and relevant institutes.

Main Threats

According to the Frost & Sullivan Report, the PRC private higher education industry confronts the following threats:

- ***Uncertain impact of new policies and regulations promulgated in respect of private higher education:*** Participants in the private higher education industry in China are subject to a number of laws and regulations. Such laws and regulations of the education industry, in particular, those related to private education may be amended from time to time. The impact of any such changes is uncertain.

- ***Increasingly intense competition in the PRC private higher education industry:*** Participants in the PRC private higher education industry confront increasingly fierce competition. As a result, the PRC private higher education industry is expected to observe increasing consolidation and acquisitions. Those participants that cannot adapt to rapid evolution in the industry are likely to be weeded out.

- ***Consumers' higher acceptance of public schools than private schools:*** Private higher education has a relatively short history in China compared with public higher education. Generally, students and parents have higher acceptance of public schools than private schools. Private schools have to gain wider acceptance among the general public in China, especially among students and their parents, to compete with public schools.

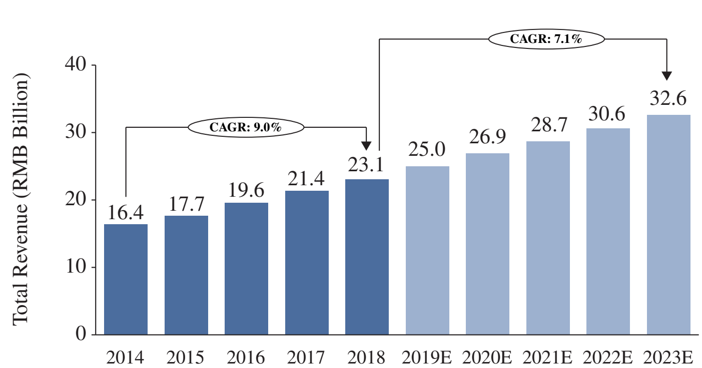
- ***Limited resources of qualified teachers:*** Higher education in China has started a structural adjustment to match talent cultivation with market demand. As a result, teachers with practical industry experience and know-how are in great demand. However, the limited number of qualified teachers with such practical experience could be a constraining factor in the near future.

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN THE YANGTZE RIVER DELTA

Market Size

The Yangtze River Delta comprises Jiangsu province, Zhejiang province, Anhui province and Shanghai. According to the Frost & Sullivan Report, the total revenue of the private higher education industry in the Yangtze River Delta has been growing significantly from 2014 to 2018, increasing from RMB16.4 billion in 2014 to RMB23.1 billion in 2018, representing a CAGR of 9.0%, and is expected to reach RMB32.6 billion in 2023, representing a CAGR of 7.1%. The market size of private higher education accounted for 9.1% of the overall higher education industry in the Yangtze River Delta in terms of revenue in 2018. The following chart illustrates the historical and projected total revenue of the private higher education industry in the Yangtze River Delta from 2014 to 2018:

Total Revenue of Private Higher Education Industry (Yangtze River Delta), 2014 – 2023E

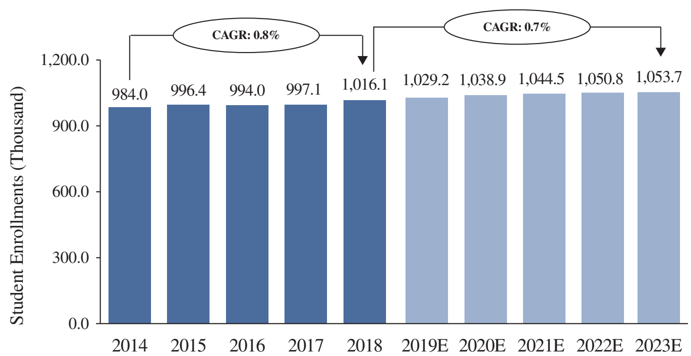


Source: Frost & Sullivan

Student Enrollment

According to the Frost & Sullivan Report, from 2014 to 2018, total student enrollment in the private higher education industry in the Yangtze River Delta increased from 984.0 thousand to 1,106.1 thousand, representing a CAGR of 0.8%, and is expected to reach 1,053.7 thousand in 2023, representing a CAGR of 0.7%. The following chart illustrates the historical and projected total student enrollment of the private higher education industry in the Yangtze River Delta from 2014 to 2023:

Student Enrollments in Private Higher Education (Yangtze River Delta), 2014 – 2023E



Source: Frost & Sullivan

According to the Frost & Sullivan Report, revenue from the private higher education industry in the Yangtze River Delta is expected to witness steady growth despite expected limited growth of student enrollment in private higher education institutions in the Yangtze River Delta from 2018 to 2023, primarily due to (i) increasing disposable income, and (ii) growing expenditure on education of Chinese families. Private higher education institutions in the Yangtze River Delta became more recognizable by society and more acceptable by students because of their successful track record of operations.

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN SHANGHAI

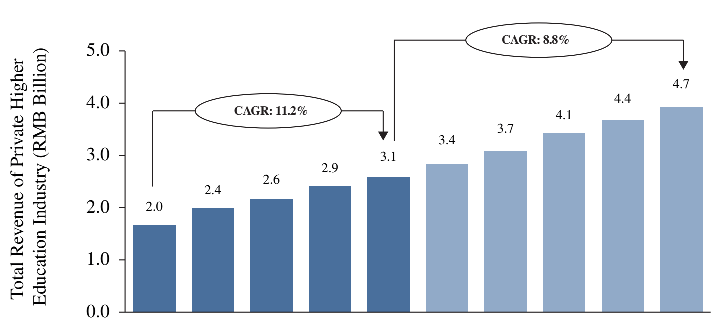
Overview

Shanghai is one of the directly controlled municipalities in China and the most populous city in the world, with a population of 24.2 million as of December 31, 2018. Shanghai is also the commercial and financial center of China. The objective of private schools in Shanghai has gradually shifted from supplementing the public education system, to providing premium quality education. As of December 31, 2018, Shanghai had 20 private universities and colleges with 113.5 thousand enrolled students.

Market Size

According to the Frost & Sullivan Report, total revenue of the private higher education industry in Shanghai has grown significantly from RMB2.0 billion in 2014 to RMB3.1 billion in 2018, representing a CAGR of 11.2%, and is expected to continue to increase to reach RMB4.7 billion in 2023, representing a CAGR of 8.8%. The market size of private higher education accounted for 4.2% of the overall higher education industry in Shanghai in terms of revenue in 2018. The following chart illustrates the historical and projected total revenue of Shanghai's private higher education industry from 2014 to 2023:

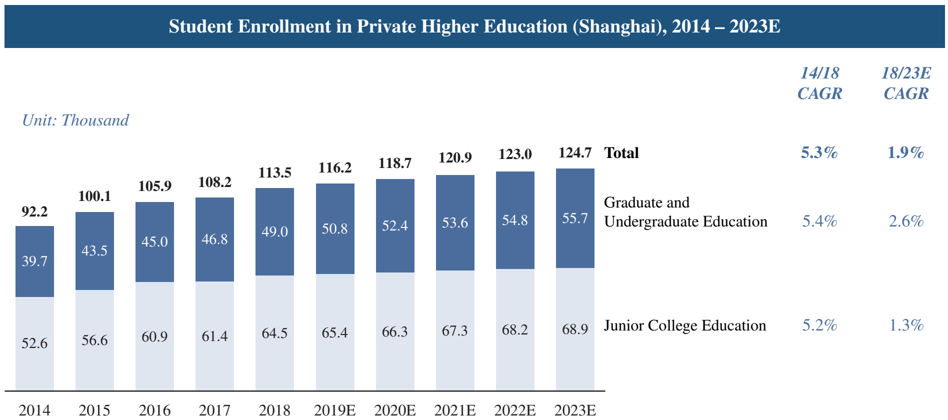
Total Revenue of Private Higher Education Industry (Shanghai), 2014 – 2023E



Source: Frost & Sullivan

Student Enrollment

According to the Frost & Sullivan Report, total student enrollment in private higher education in Shanghai increased from 92.2 thousand in 2014 to 113.5 thousand in 2018, representing a CAGR of 5.3%, and is expected to increase from 113.5 thousand in 2018 to 124.7 thousand in 2023, representing a CAGR of 1.9%. The following chart shows the historical and projected total student enrollment of Shanghai's private higher education industry from 2014 to 2023:



Source: Frost & Sullivan

According to the Frost & Sullivan Report, revenue from the private higher education industry in Shanghai is expected to witness steady growth; however, growth of student enrollment in private higher education institutions in Shanghai is expected to be limited from 2018 to 2023, primarily due to (i) increasing disposable income, and (ii) growing expenditure on education of Chinese families. Private higher education institutions in Shanghai became more recognizable by society and more acceptable by students because of their successful track record of operations.

THE COMPETITIVE LANDSCAPE IN SHANGHAI AND THE YANGTZE RIVER DELTA

According to the Frost & Sullivan Report, Shanghai's prosperous economy is the main driver for Shanghai's private higher education market. As the commercial and financial center of China, Shanghai provides the most employment opportunities for graduates compared with the other cities of China. Therefore, Shanghai continues to attract students to study and work there.

The private higher education market in Shanghai is relatively concentrated, with the top five players together accounting for an approximate 50.5% market share by full-time student enrollment in the 2018/2019 school year. According to the Frost & Sullivan Report, our University ranked first in terms of the number of full-time student enrollment in Shanghai with a market share of approximately 15.7%. The following table illustrates the full-time student enrollment, the initial employment rate in 2018, and respective market share in the 2018/2019 school year of the top five largest private universities in Shanghai.

Ranking	Private Higher Education Institution	Student Enrollment in the 2018/2019 School Year (Thousand)	Market Share (%)	Initial Employment Rate, 2018 (%)
1	**Our University**	**17.8**	**15.7%**	**99.0%**
2	University A	15.1	13.3%	97.7%
3	University B	9.2	8.1%	97.3%
4	University C	8.1	7.2%	98.9%
5	University D	7.0	6.2%	96.1%
	Top 5	**57.2**	**50.5%**	
	Total	**113.5**	**100.0%**	

Source: Frost & Sullivan

According to the Frost & Sullivan Report, our University ranked fourth in the entire Yangtze River Delta as measured by total full-time student enrollment in the 2018/2019 school year. Our University was also the fastest growing university in terms of full-time student enrollment among the top five largest private universities in the Yangtze River Delta from 2015 to 2018. The following table illustrates full-time student enrollment in the 2018/2019 school year, the initial employment rate in 2018, and the CAGR of full-time student enrollment from 2015 to 2018, of the top five largest private universities in the Yangtze River Delta.

Ranking	Private Higher Education Institution	Student Enrollments in the 2018/19 School Year (Thousand)	15-18 CAGR of Student Enrollments (%)	Initial Employment Rate, 2018 (%)
1	University E	22.9	3.3%	90.2%
2	University F	21.3	4.2%	89.5%
3	University G	19.0	0.0%	96.8%
4	**Our University**	**17.8**	**7.6%**	**99.0%**
5	University H	17.1	4.9%	98.3%
	Top 5	**98.1**		

Source: Frost & Sullivan

ENTRY BARRIER ANALYSIS OF PRIVATE HIGHER EDUCATION IN CHINA

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

- ***Approval of the government:*** School operators in China are required to obtain and maintain a number of approvals, licenses and permits and comply with specific registration, filing and qualification requirements, including requirements on registered capital, total assets, availability of land and the number of minimum student enrollment, as well as teaching staff qualification. Additionally, the establishment of a private school in China is also subject to approvals under the Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education. The lengthy, complex and uncertain application process has become a natural entry barrier especially for new school operators;
- ***Brand awareness and source of students:*** Students and their parents prefer to enroll at well-known schools with a long history and well-established reputation, which takes time to achieve. As a result, it is hard for new entrants to attract sufficient students;
- ***Sufficient initial capital and 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 on an on-going basis. Therefore, the ability for school operators to secure sufficient capital is critical;
- ***Availability of qualified teachers:*** The structural adjustment of China's higher education industry to better match talent cultivation with market demand has meant that qualified teachers with relevant practical industry experience and know-how are in great demand. This presents a difficulty for new participants who do not have sufficient access to such resources, to enter the market;
- ***Availability of land and relevant facilities:*** To meet various requirements for teaching and extracurricular activities, schools general need significant land resources to build teaching and other relevant facilities. The land resources are usually granted by the local governments or obtained through renting. With the limited supply of available land resource and the rising rental cost of current land resource, it is becoming more and more difficult to obtain additional land resource;
- ***Operational experience and management capability:*** With a high level of competition in the market, operational experience and management capability serves as a key entry barrier for new entrants. The operation of higher educational institutions involves the management of a large number of people with a complex set of roles, in a highly complex system. Without operational and management experience, new entrants could encounter great challenges in achieving economies of scale.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

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 Implementing Rules under the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) was promulgated on December 12, 1990 and newly amended on February 19, 2014, which took effective as from March 1, 2014.

The Wholly Foreign-owned Enterprise Law has been further revised by the NPC Standing Committee on September 3, 2016 and has become effective on October 1, 2016. Pursuant to the amendments, for a wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to a notice issued by the National Development and Reform Commission (the "NDRC") and the Ministry of Commerce (the "MOFCOM") on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue for the Guidance of Foreign Investment Industries (2015 version) which is abolished now in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management. Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by MOFCOM on October 8, 2016 and newly amended on June 29, 2018, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and will take effect on January 1, 2020. The Foreign Investment Law is the fundamental law for foreign investment in the PRC, which will replace the Law on Sino-Foreign Equity joint ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign owned Enterprise Law (《中華人民共和國外資企業法》) as the general law applicable for the foreign investment within the PRC.

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

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of pre-establishment national treatment plus negative list, foreign investment information report system and security review system. The said systems, together with other administrative measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

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

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

Catalogue of Industries for Encouraging Foreign Investment (2019 Edition) and Special Administrative Measures for Access of Foreign Investment (Negative List) (2019)

Under the Catalogue of Industries for Encouraging Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》, the "Foreign Investment Catalogue") which was promulgated by the NDRC and the MOFCOM on June 30, 2019 and became effective on July 30, 2019.Under the Foreign Investment Catalogue, foreign-invested industries are classified into two categories, namely (i) those included on the Catalogue of Industries for Encouraging Foreign Investment and (ii) those included on the Catalogue of Priority Industries for Foreign Investment in Central and Western China.

Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019) (《外商投資准入特別管理措施(負面清單)》(2019年版), the "Negative List") which was promulgated by the NDRC and the MOFCOM on June 30, 2019 and became effective on July 30, 2019, after the implementation of the 2019 Special Administrative Measures, the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018) shall be repealed simultaneously.

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

Regulations on Sino-Foreign Cooperation in operating schools

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Regulation on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》which was promulgated on March 1, 2003, taking effect as from September 1, 2003, amended on July 18, 2013, and further amended on March 2, 2019, the "Sino-Foreign Regulation") and the Implementing Measures for the Regulation on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例實施辦法》, the "Implementing Measures") which was promulgated on June 2, 2004 and took effect as from July 1, 2004.

The Sino-Foreign Regulation and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among PRC citizens and encourage substantive cooperation between overseas educational organisations 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 Ministry of Education of the PRC (中華人民共和國教育部, the "MOE") issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institute shall be less than 50%.

Regulations on Private Education in the PRC

Education Law of the PRC

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

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

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, then amended on December 27, 2015 and became effective on June 1, 2016 and last amended on December 29, 2018 and became effective on the same day, 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 the State's plans for the development of higher education and in keeping with the interests of the State and the public. Universities and independent colleges shall mainly conduct regular course education and education at a still higher level. Specialized higher education schools shall conduct special course education. With the approval of the administrative department for education under the State Council, research institutes may undertake the graduate program. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities and independent colleges shall, in addition, have a stronger staff for teaching and research, a higher level of teaching and research, as well as a necessary size of the student body, in order that they can offer regular course education and education at a higher level. Moreover, universities shall offer at least three branches of learning designated by the State as the main courses.

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

Regulations on Vocational Education

According to the Vocational Education Law of the PRC (《中華人民共和國職業教育法》), which was promulgated on May 15, 1996 and became effective on September 1, 1996, vocational education includes elementary, secondary and higher vocational education. The elementary and secondary vocational school education shall be provided by elementary and secondary vocational schools. The higher vocational education shall be provided, where necessary and where conditions permit, either by higher vocational schools or by regular institutions of higher education.

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 last amended on December 29, 2018 and became effective on the same day, and the Implementation Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004. According to these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall comply with those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. 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 private non-enterprise unit (民辦非企業單位).

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

On November 7, 2016, the Standing Committee of the NPC published the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) (2016年修正案, "2016 Decision"), which became effective on September 1, 2017. In accordance with 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 get income from the operation of the school and the balance of running such schools is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. While school sponsors of non-profit private schools are prohibited from getting income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. Furthermore, the remaining assets upon liquidation of for-profit private schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of non-profit private schools shall only be used for the operation of other non-profit private schools.

In addition, pursuant to 2016 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.

If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as non-profit private schools, they shall procure the school to amend its articles of association in accordance with 2016 Decision and continue the school operation pursuant to such revised articles of association. And furthermore, upon the termination of such non-profit private schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contribution to such schools from the remaining assets of the schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools. If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as for-profit private schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

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

The major provisions of the MOJ Draft for Review include:

(1) Clause 5 of the MOJ Draft for Review

Clause 5 of the MOJ Draft for Review provides that foreign investment enterprises which are established in the PRC and social organizations which are controlled with foreign investors are prohibited from sponsoring participating in the operation of or having control over private schools implementing compulsory education.

(2) Clause 7 of the MOJ Draft for Review

Clause 7 of the MOJ Draft for Review provides that government-run schools are not allowed to sponsor or participate in sponsoring for-profit privately-run schools. A government-run school which sponsors or participates in sponsoring a non-profit privately-run school shall obtain the approval of the competent department, shall not use governmental financial funds, shall not affect the teaching activities of the government-run school and shall not profit from brand license.

(3) Clause 12 of the MOJ Draft for Review

Clause 12 of the MOJ Draft for Review mentions that social organizations which adopt centralized school management models are not allowed to control non-profit private schools through ways such as mergers and acquisitions, franchising or "contractual arrangements". However, the MOJ Draft for Review has not stipulated the definition of centralized school management models.

(4) Clause 21 of the MOJ Draft for Review

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

(5) Clause 45 of the MOJ Draft for Review

Clause 45 of the MOJ Draft for Review provides that any material, long-term or recurring agreement entered into between a non-profit private school and its connected parties shall be reviewed and audited by the education administrative authorities as well as the human resources and social security authorities in terms of the necessity and legality of such agreement and its compliance with the applicable laws and regulations.

According to the Notice from the Ministry of Justice for Public Comments on the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) (《司法部關於<中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)>公開徵求意見的通知》) issued by MOJ on August 10, 2018, the MOJ Draft for Review has been submitted to the State Council for deliberation by the MOE. For details of the potential implications of the MOJ Draft for Review on us, see "Business – Potential Implications of the 2016 Decision and Related Implementing Rules and Regulations – Potential Implications of the MOJ Draft for Review if it Becomes Effective" and "Risk Factors – Risks Relating to Our Business and Our Industry – New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review".

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, 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, land allocation and tax deduction and exemption. 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's funding policies equally; (ii) implementing incentive policies regarding taxes and fees for private schools. Private schools shall enjoy preferential tax treatments in accordance with national regulations while non-profit private schools enjoy the same tax preferential treatments as public schools. Private schools shall be entitled to the same price policies for use of electricity, water, gas and heat as public schools; and (iii) implementing different land supply policies. Non-profit private schools enjoy the same land policy as public schools and may get land by way of land allocation while for-profit private schools shall get land in accordance with national regulations and policies.

Implementing Opinions of Shanghai Municipal People's Government on Promoting the Healthy Development of Private Education

On December 26, 2017, the People's Government of Shanghai promulgated the Implementing Opinions of Shanghai Municipal People's Government on Promoting the Healthy Development of Private Education (《上海市人民政府關於促進民辦教育健康發展的實施意見》) (the "Shanghai Opinion"), and the Administration Measures of Shanghai on Classification of Licensing and Registration of Private Schools (《上海市民辦學校分類許可登記管理辦法》) (the "Shanghai Licensing Measures"), both of which took effect on January 1, 2018. Shanghai Opinion and Shanghai Licensing Measures provide implementing rules in

Shanghai on several aspects, including the procedures and requirements for approving the establishment, major alteration and termination of private schools, the transitional period for existing private schools and training institutions to gain compliance, and compensation and incentive measures for termination of existing private schools that are registered as private non-enterprise units. According to Shanghai Licensing Measures, the school sponsors of private schools in Shanghai registered as private non-enterprise units before November 7, 2016 must decide whether to register the schools as non-profit or for-profit private schools and submit in writing for registration as a non-profit or for-profit private school before December 31, 2018.

Implementing Rules on Classification Registration of Private Schools

According to the Implementing Rules on Classification Registration of Private Schools (《民辦學校分類登記實施細則》), which was issued jointly by the MOE, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce (currently known as the State Administration for Market Regulation) on December 30, 2016, with effect from the same day, the establishment of a private school is subject to approval. Private Schools approved to be established shall apply for the registration certificate or business license in accordance with the classification registration regulations after they obtained the license for school operation by the competent government authorities.

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

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

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

According to the Implementing Rules 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 (currently known as the State Administration for Market Regulation) on December 30, 2016 and become effective on the same day, 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 above implementation regulations, a social organization or individual running a for-profit private school shall have the financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be able to satisfy the costs of the school construction and development. Furthermore, the social organization running the for-profit private school shall be a legal person who is in good credit standing and shall not be listed as an enterprise operating abnormally or be listed as an enterprise that is in material non-compliance with the laws or be dishonest. Individuals running for-profit private schools should be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity.

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

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

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

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

According to the Notice of the State Administration for Industry and Commerce and the MOE 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 private school shall registered as a limited liability company or a joint stock limited company according to the Company Law of the PRC (《中華人民共和國公司法》) and the Law for Promoting Private Education 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 of the PRC (中華人民共和國人力資源和社會保障部)) on March 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by the education authorities or the labor and social welfare authorities and approved by the governmental pricing authority. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the requisite filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through such raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws.

According to the Notice of NDRC and the Ministry of Finance regarding Cancellation 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 Notice 36, which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system was cancelled nationwide from January 1, 2016.

On October 12, 2015, the State Council and the Central Committee of CPC jointly issued the Several Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (《中共中央、國務院關於推進價格機制改革的若干意見》), which allows for-profit private schools to determine their prices on their own, while the tuition-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.

Regulations on Safety and Health Protection of Schools

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

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

On July 8, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium-and Long-Term Education Reform and Development (2010-2020) (《國家中長期教育改革和發展規劃綱要(2010-2020)》), which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) for-profit private education entities and (2) non-profit private education entities. On October 24, 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (《關於開展國家教育體制改革試點的通知》, "Pilot Notice"). Following the Pilot Notice, the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (Draft for Comment) (《教育法律一攬子修訂草稿(徵求意見稿)》, the "Drafted Amendments") which were published by the legislation office of the State Council on September 5, 2013. The Standing Committee of the National People's Congress published Package Amendments to Education Laws (Draft) (《教育法律一攬子修訂案(草案)》, the "Package Amendments") on September 7, 2015. According to the Pilot Notice and Drafted Amendments and the Package Amendments, the PRC government plans to implement a for-profit and not-for-profit classification management system for private schools.

Regulations Over Real Property in the PRC

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

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

Regulations Over Intellectual Property in the PRC

Copyright

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

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》, the "Trademark Law"), which was revised on August 30, 2013 and became effective on May 1, 2014, and was last amended on April 23, 2019, which amendments will become effective on November 1, 2019, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

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

Domain Name

Pursuant to Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on August 24, 2017 and became effective on 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 serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

Regulations Over Labor Protection in the PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》, the "Labor Law"), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, which came into effect on January 1, 1995 and was last amended and took effect on December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

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

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

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》the "Social Insurance Law"), which was promulgated on October 28, 2010 and became effective on July 1, 2011, and last amended and implemented on December 29, 2018, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

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

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999, and was last amended and implemented on March 24, 2019, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies 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.

Regulations over Tax in the PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "EIT Law"), which was promulgated on March 16, 2007 and last amended on December 29, 2018, which became effective on the same day, and the Implementing Regulations to the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》, the "Implementation Regulations"), which was promulgated on December 6, 2007 and last amended on April 23, 2019 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部國家稅務總局關於教育稅收政策的通知》, the "Notice 39") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政部國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》, the "Notice 3"), schools shall be exempt from enterprise income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools shall be exempt from enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), private schools enjoy the state preferential tax policies, while non-profit private schools enjoy 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 HKSAR 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 on dividends paid by a PRC resident to its shareholder, who is a Hong Kong resident and directly holds at least 25% of its equity, is 5%, and otherwise which is 10%, and vice versa.

Pursuant to the Notice 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 "SAT") which was promulgated on February 20, 2009 and became effective on the same day, a taxpayer of the other party, who directly holds certain percentage (normally 25% or 10%) of equity interests of a PRC company, shall be entitled to the tax treatment specified in the tax agreements if all of the following requirements are satisfied: (i) such taxpayer obtaining dividends shall be a company; (ii) the equity interests and voting shares of a PRC company directly hold by such taxpayer shall reach the stipulated percentage; and (iii) the equity interests of a PRC resident enterprise directly owned by such taxpayer shall satisfy the stipulated percentage at any time during the 12 months prior to the obtainment of the dividends.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (Order No. 538 of the State Council) (《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 the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (Order No. 65 of the MOF) (《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; 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 the SAT on November 16, 2011, 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 Notice 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 the SAT on March 23, 2016, became effective on May 1, 2016, since May 1, 2016, the government will collect VAT in lieu of business tax on a trial basis within the territory of the PRC, and in industries such as construction industries, real estate industries, financial industries, and living service industries.

The Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, reduced the applicable VAT rates for general VAT taxpayers to 16%, 10% and 6%, respectively. The Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, further reduced the applicable VAT rates for general VAT taxpayers with respect to VAT taxable sales or imported goods to 13% and 9%, respectively.

Other Tax Exemptions

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

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 (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Notice on the Foreign Exchange 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 "Notice No. 37"), which is promulgated on July 4, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, etc, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)".

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

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) that, 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

Our history can be traced back to 1999 when Mr. Zhou and his teacher Mr. Chen Zhanghao, an Independent Third Party, used their personal funds gained from their non-education businesses to establish Jian Qiao Investment as an investment holding company to invest in diverse businesses, including investing in our University as a school sponsor. Mr. Zhou's personal funds were gained from non-education businesses such as Tengen Group Co., Ltd., disclosed in the section headed "Directors and Senior Management" section in this prospectus.

In June 2000, we established the predecessor of our University, namely, Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院), as a private school that mainly provided higher vocational education at junior college level (專科層次高等職業教育) and was solely sponsored by Jian Qiao Investment. In November of the same year, Mr. Zhou and eight individuals (including certain of the current directors of our Company and its subsidiaries) used their personal assets from their non-education businesses to establish Jian Qiao Group as an investment holding company to invest in diverse businesses, including investing in our University as a school sponsor.

In 2003, the predecessor of our University changed its name to Shanghai Jian Qiao Vocational College* (上海建橋職業技術學院). In 2005, it was transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to Shanghai Jian Qiao University (上海建橋學院).

Since 2006, our University has been sponsored by Jian Qiao Investment and Jian Qiao Group, which currently hold 47.89% and 52.11% of the school sponsor's interest in our University, respectively.

Business Milestones

The following illustrates our major development milestones:

Year	Event
1999	Jian Qiao Investment was established.
2000	The predecessor of our University, namely, Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院), and Jian Qiao Group were established.
2003	Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院) changed its name to Shanghai Jian Qiao Vocational College* (上海建橋職業技術學院).

Year	Event
2005	Shanghai Jian Qiao Vocational College* (上海建橋職業技術學院) transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to Shanghai Jian Qiao University (上海建橋學院).
2005-2017	Our University was recognized by the Shanghai Municipal People's Government as a Shanghai Civilized Unit (上海市文明單位).
2011	Our University was awarded as the Top 10 Most Influential Private University (十大最具社會影響力民辦大學) by Xinhua.net (新華網).
2011	Our University was awarded as the Outstanding Private Higher Education University in China (中國民辦高等優秀院校) by the Higher Education Professional Committee of China's Non-Government Education Association (中國民辦教育協會高等教育專業委員會).
2012	Our University was awarded as the Top 10 Reputable Private Higher University (十大品牌民辦高校) by Sina.com (新浪網).
2015	Our University moved from its previous campus in Kangqiao County to a new campus in Lingang New City area in Pudong New Area, Shanghai.
2015	Our University was selected by the MOE to participate in the MOE – Zhongxing ICT Industrial and Educational Integrated Innovation Base Program (教育部 – 中興通訊ICT產教融合創新基地項目) along with 24 other universities nationwide.
2016	Our University was one of the 16 schools recognized as National Innovative Entrepreneurship Education Model School (全國民辦高校創新創業教育示範學校綜合獎) by the Higher Education Professional Committee of China's Non-Government Education Association (中國民辦教育協會高等教育專業委員會).
2016	Our University was the only school in Shanghai named by the MOE as one of the experimental schools (試點學校) for the Internet Plus Made-in-China Enterprise and Education Cooperation Improvement Program ("互聯網+中國製造2025"產教融合促進計劃).
2015 and again in 2017	Our University was the first private undergraduate college in China recognized by the Spiritual Civilization Development Steering Commission as a National Civilized Unit (全國文明單位).

See "Business – Awards and Recognitions" in this prospectus for details on the awards and recognitions received by our school.

HISTORY OF OUR UNIVERSITY

Our University is a private formal higher institution providing undergraduate education and junior college education. The predecessor of our University is Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院), which was established as a private non-enterprise unit on June 28, 2000 and commenced the provision of higher vocational education at junior college level (專科層次高等職業教育) in August 2000. On August 26, 2003, it changed its name to Shanghai Jian Qiao Vocational College* (上海建橋職業技術學院). On December 21, 2005, it was transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to Shanghai Jian Qiao University (上海建橋學院).

At the time of its establishment in June 2000, our University was solely sponsored by Jian Qiao Investment with an initial capital of RMB5 million. On April 30, 2006, the capital of our University was increased to RMB50 million with additional capital of RMB45 million contributed by Jian Qiao Group in cash. Upon such capital increase, the school sponsor's interest in our University was held by Jian Qiao Investment as to 10% and Jian Qiao Group as to 90%, respectively. On September 23, 2013, the capital of our University was further increased to RMB710 million with additional capital of RMB335 million and RMB325 million contributed by Jian Qiao Investment and Jian Qiao Group, respectively, by way of buildings and land use rights. Since then, the school sponsor's interest in our University has been held by Jian Qiao Investment as to 47.89% and Jian Qiao Group as to 52.11%, respectively. The School Sponsors of our University do not require reasonable returns according to the articles of association of our University.

HISTORY OF OUR SCHOOL SPONSORS

(1) Jian Qiao Investment

Establishment of Jian Qiao Investment

Jian Qiao Investment was established on August 3, 1999 under the laws of the PRC with a registered capital of RMB30 million. Upon establishment, the equity interest of Jian Qiao Investment was as set forth below:

Shareholder	Registered capital	Approximate percentage of the equity interest
	(RMB)	*(%)*
Mr. Zhou	20,000,000	66.7
Mr. Chen Zhanghao (陳章浩), an Independent Third Party	10,000,000	33.3
Total:	30,000,000	100

Transfer of equity interest to Jian Qiao Group

After a series of transfers of equity interests and capital increases, on October 8, 2000, Mr. Zhou ceased to be a shareholder of Jian Qiao Investment and Jian Qiao Group acquired 90% equity interest in Jian Qiao Investment from certain of the then shareholders pursuant to an equity transfer agreement dated October 8, 2000 at a total consideration of RMB49.5 million, which was determined with reference to the then registered capital of Jian Qiao Investment.

After another series of transfers of equity interests and capital increases which resulted in Jian Qiao Group holding in 66% equity interest in Jian Qiao Investment, on August 26, 2009, Jian Qiao Group acquired the remaining 34% equity interest in Jian Qiao Investment from the then shareholder pursuant to an equity transfer agreement dated August 26, 2009 at a total consideration of RMB25.5 million, which was determined with reference to the then registered capital of Jian Qiao Investment of RMB75 million. Since then, Jian Qiao Group became the sole shareholder of Jian Qiao Investment.

(2) Jian Qiao Group

Establishment of Jian Qiao Group

Jian Qiao Group was established on November 7, 2000 under the laws of PRC with a registered capital of RMB150 million. Upon establishment, the equity interest of Jian Qiao Group was as set forth below:

Shareholder	**Registered capital**	**Approximate percentage of the equity interest**
	(RMB)	*(%)*
Mr. Zhou	53,550,000	35.70
Mr. Zheng Xiangzhan[(1)]	22,360,000	14.91
Mr. Shi Yinjie[(1)]	26,080,000	17.38
Mr. Chen Zhiyong[(1)]	10,760,000	7.17
Mr. Chen Shengfang[(1)]	14,970,000	9.98
Mr. Bao Jianmin[(1)]	11,290,000	7.53
Mr. Wang Chengguang[(1)]	6,770,000	4.51
Mr. Zheng Xiangfu (鄭祥夫), an Independent Third Party	2,500,000	1.67
Mr. Zhang Zhengrong (張崢嶸), an Independent Third Party	1,720,000	1.15
Total:	150,000,000	100

Note:

(1) For the relationship between these individuals with our Group, please see the table in "– Capital increase" in this sub-section.

After a series of transfers of equity interests and capital increases and as at January 1, 2016 (the beginning of the Track Record Period), the equity interest of Jian Qiao Group was as set forth below:

Shareholder	Registered capital	Approximate percentage of the equity interest
	(RMB)	*(%)*
Mr. Zhou	45,920,000	26.95
Mr. Zheng Xiangzhan[(1)]	22,360,000	13.12
Mr. Shi Yinjie[(1)]	19,940,000	11.70
Mr. Chen Zhiyong[(1)]	10,760,000	6.32
Mr. Jin Yinkuan[(1)]	12,240,000	7.18
Mr. Chen Shengfang[(1)]	11,530,000	6.77
Mr. Bao Jianmin[(1)]	10,180,000	5.97
Mr. Wang Hualin[(1)]	8,400,000	4.93
Mr. Chen Minghai[(1)]	8,160,000	4.79
Mr. Wang Chengguang[(1)]	8,640,000	5.07
Mr. Chen Shengcai[(1)]	6,220,000	3.65
Mr. Zheng Juxing[(1)]	6,050,000	3.55
Total:	170,400,000	100

Note:

(1) For the relationship between these individuals with our Group, please see the table in "– Capital increase" in this sub-section.

Capital increase

On March 28, 2018, the registered capital of Jian Qiao Group was increased to RMB350 million with additional registered capital contributed by certain of the then shareholders and new shareholders. Upon such capital increase, the equity interest of Jian Qiao Group was as set forth below:

Shareholder	**Relationship with our Group**	**Registered capital**	**Approximate percentage of the equity interest**
		(RMB)	*(%)*
Mr. Zhou	Chairman, an executive Director and a Controlling Shareholder of the Company, director of Jian Qiao Group and our University, and sole executive director of Jian Qiao Investment	123,020,000	35.15
Mr. Zheng Xiangzhan	Executive Director, chief executive officer and a Controlling Shareholder of our Company, vice chairman, director and president of Jian Qiao Group, and vice chairman, director, deputy principal and financial controller of our University	35,700,000	10.20
Mr. Zhao Donghui	Non-executive Director of our Company	35,000,000	10.00
Mr. Shi Yinjie	Executive Director and a Controlling Shareholder of our Company, vice chairman and director of Jian Qiao Group and director of our University	19,940,000	5.70

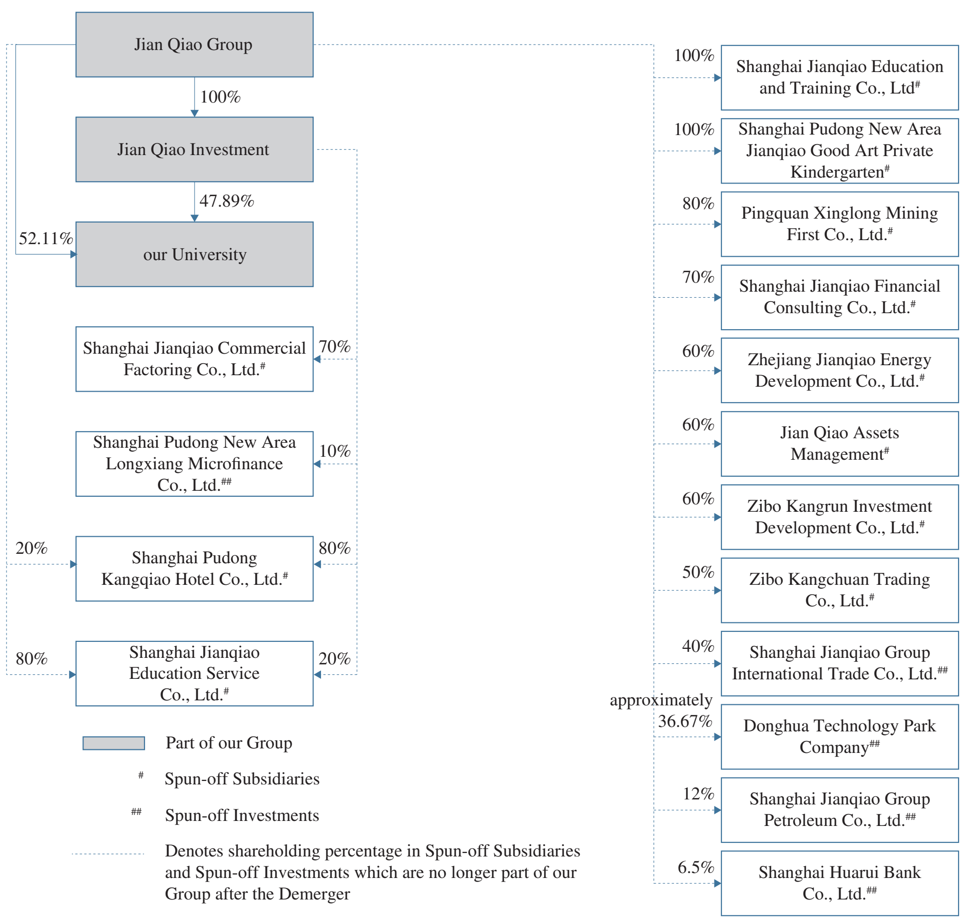
Shareholder	Relationship with our Group	Registered capital	Approximate percentage of the equity interest
		(RMB)	*(%)*
Mr. Chen Zhiyong	Director of our University	17,710,000	5.06
Mr. Jin Yinkuan	Independent Third Party	17,500,000	5.00
Mr. Chen Shengfang	Chairman of the supervisory board of Jian Qiao Group and brother of Mr. Chen Shengcai who is a director of Jian Qiao Group	17,500,000	5.00
Mr. Zhou Tianming	Spouse of Ms. Wan Zhifang who is deputy chief executive officer and chief financial officer of our Company	17,500,000	5.00
Mr. Bao Jianmin	Director of Jian Qiao Group	12,250,000	3.50
Mr. Wang Hualin	Independent Third Party	12,250,000	3.50
Mr. Chen Minghai	Director of Jian Qiao Group	12,250,000	3.50
Mr. Wang Chengguang	Director of Jian Qiao Group	8,640,000	2.47
Mr. Chen Shengcai	Director of Jian Qiao Group and brother of Chen Shengfang	8,590,000	2.45
Mr. Wang Xuangui	Independent Third Party	6,100,000	1.74
Mr. Zheng Juxing	Independent Third Party	6,050,000	1.73
Total:		350,000,000	100

(3) Demerger of our School Sponsors

Corporate structure of our School Sponsors immediately prior to the Demerger

Immediately prior to the Demerger of our School Sponsors in June 2018, our School Sponsors were investment holding companies which (i) operated a higher education business through our University; (ii) operated non-higher education businesses (i.e. the Spun-off Businesses) through the Spun-off Subsidiaries; and (iii) also held minority equity investments in the Spun-off Investments.

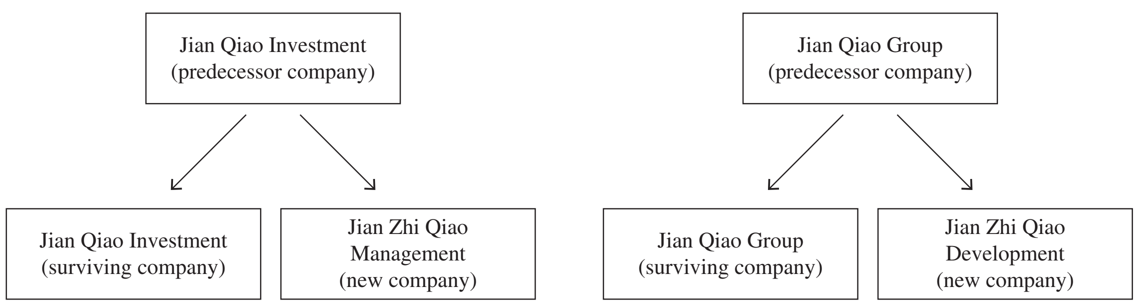
The following chart sets forth the corporate structure of our School Sponsors immediately prior to the completion of the Demerger:



For more details of the Spun-off Subsidiaries and the Spun-off Investments, please refer to the paragraphs headed "– Spun-off Entities" below.

Background of the Demerger of our School Sponsors

In order to delineate the distinct businesses of our School Sponsors in preparation for the Company's Listing, we have considered the various reorganization mechanisms potentially available. After considering that (i) setting up a new vehicle to hold our Group's higher education business and the resulting change of school sponsors of our University would require approval from the MOE or its authorized provincial government, and there would be uncertainties as to whether and when such approval would be given; and (ii) special tax treatment[1] is available for demergers pursuant to which share transfers of underlying companies would not be subject to PRC enterprise income tax (which is usually applicable to disposals outside the context of demergers), we decided to conduct the reorganisation by demerging each of our School Sponsors into two companies, one being a surviving company engaged in the higher education business and one being a new company engaged in businesses not related to higher education (i.e. the Spun-off Businesses) (collectively, the "Demerger") as follows:



Pursuant to the Demerger, (i) Jian Qiao Investment was demerged into Jian Qiao Investment (surviving company) and Jian Zhi Qiao Management (new company) and (ii) Jian Qiao Group was demerged into Jian Qiao Group (surviving company) and Jian Zhi Qiao Development (new company). Jian Qiao Investment and Jian Qiao Group remained as subsidiaries of our Group. Jian Zhi Qiao Management and Jian Zhi Qiao Development (i.e. the Spun-off Parents) are two new companies established by the shareholders of our School Sponsors as part of the Demerger and are related parties of our Group. The shareholders of our School Sponsors remained the same, while the shareholders of the Spun-off Entities changed from our School Sponsors to the relevant Spun-off Parents.

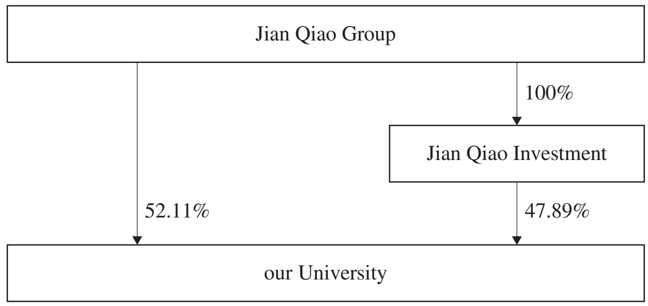
The Demerger enabled our Group to retain our University without changing its school sponsors and at the same time spin-off businesses not related to higher education (i.e. the Spun-off Businesses) while minimizing the tax burden arising from the corporate restructuring.

Note:

(1) According to Articles 5 and 6 of the Notice of Ministry of Finance and State Administration of Taxation on Several Issues relating to Treatment of Corporate Income Tax Pertaining to Restructured Business Operations of Enterprises (財政部、國家稅務總局關於企業重組業務企業所得稅處理若干問題的通知, the "Notice No. 59"), where a demerger of an enterprise complies with the criteria stipulated in the Notice No. 59, special tax treatment can be carried out for such demerger, and parties involved do not need to recognize the gain or loss from the transfer of shares and assets as a result of the demerger. With the assistance of our PRC Legal Advisors, we consulted the relevant local tax authority which confirmed that (i) it has accepted the filings made by our School Sponsors for special tax treatment with regard to the Demerger and (ii) the local tax authority affirmed the special tax treatment with regard to the Demerger. Based on the above, our PRC Legal Advisors are of the view that the special tax treatment enjoyed by our School Sponsors does not violate the Notice No. 59 and is affirmed by the competent tax authority.

Corporate structure of our School Sponsors upon the completion of the Demerger

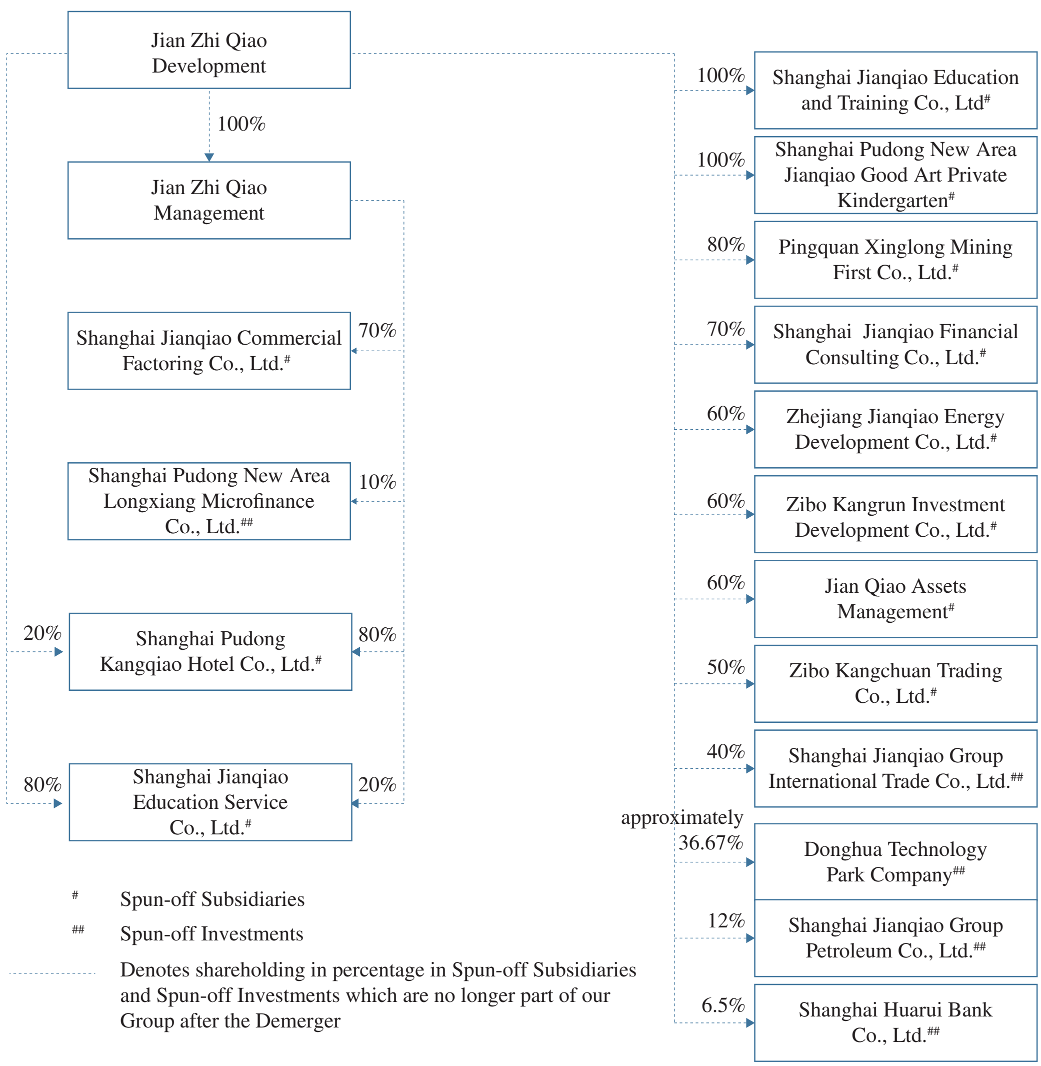
The following chart sets forth the corporate structure of our School Sponsors upon the completion of the Demerger and up to the Latest Practicable Date:



There has been no change in the above shareholding structure of our University since the completion of the Demerger and up to the Latest Practicable Date.

Corporate structure of the Spun-off Group upon completion of the Demerger

The following chart sets forth the corporate structure of the Spun-off Group upon the completion of the Demerger:



Spun-off Businesses

Immediately prior to the Demerger, the Spun-off Businesses, all of which are non-higher education businesses, were held indirectly by our School Sponsors through limited liability companies or other entities with limited liability, being the Spun-off Subsidiaries. Our School Sponsors did not directly hold any non-higher education businesses prior to the Demerger but only held a building which was owned by Jian Qiao Investment and leased to a Spun-off Subsidiary. Such building was spun-off to Jian Zhi Qiao Management pursuant to the Demerger and leased to the same Spun-off Subsidiary after the Demerger. The relevant Spun-off Subsidiary tenant has provided a written release of any potential liability on the part of any of our School Sponsors.

Spun-off Entities

The Spun-off Entities consist of (i) the Spun-off Subsidiaries, which were subsidiaries of our School Sponsors (as predecessor companies) immediately prior to the Demerger and were spun-off to the Spun-off Parents pursuant to the Demerger; and (ii) the Spun-off Investments, which were entities (other than the Spun-off Subsidiaries) in which our School Sponsors (as predecessor companies) held an equity interest immediately prior to the Demerger and were spun-off to the Spun-off Parents pursuant to the Demerger. The interests of our School Sponsors in each of the Spun-off Investments were of a non-controlling nature and the financial results of the Spun-off Investments would not therefore have been consolidated with our Group from an accounting perspective, even if they were not spun-off from our Group pursuant to the Demerger. For the purposes of this prospectus, Jian Zhi Qiao Management is excluded from the definition of Spun-off Subsidiary, despite being a wholly-owned subsidiary of Jian Zhi Qiao Development, as it is a Spun-off Parent in its own right.

As advised by our PRC Legal Advisors, the Spun-off Entities consist of three types of separate legal persons with limited liability: (i) limited liability companies; (ii) joint-stock limited companies; and (iii) private non-enterprise units. Limited liability companies, joint stock limited companies and private non-enterprise units are all of limited liability in nature, and separate legal persons. Shanghai Pudong New Area Jianqiao Good Art Private Kindergarten, one of the Spun-off Subsidiaries, is a private non-enterprise unit with the Certificate of Registration for Private Non-enterprise Unit (Legal Person). Shanghai Huarui Bank Co., Ltd., one of the Spun-off Investments, is a joint stock limited company. All of the other Spun-off Entities are limited liability companies.

All of the Spun-off Entities were directly held by our School Sponsors immediately before the Demerger and by the Spun-off Parents upon the completion of the Demerger. Although our School Sponsors ceased to hold any interest in the Spun-off Entities upon completion of the Demerger, filings to the local AIC/AMR or the local civil affairs bureau (as appropriate) in relation to changes in the shareholding or school sponsor's interest of the Spun-off Entities were completed subsequent to the Demerger, in compliance with the relevant requirements of the local AIC/AMR. As advised by our PRC Legal Advisers, due to the limited liability nature of the Spun-off Entities, the time differences between the completion of the Demerger and the time at which changes in the shareholding or school sponsor's interest were reflected in the records of the local AIC/AMR or the local civil affairs bureau would not have any impact on the liability allocation arrangement of the Demerger as further described in the paragraphs headed "Allocation of liabilities and relevant legal bases" below. The following table sets forth details of the Spun-off Entities:

Name of entity	Principal business	Direct interest held by our School Sponsors immediately before the Demerger	Direct interest held by the Spun-off Parents upon the completion of the Demerger
		(%)	*(%)*
Spun-off Subsidiaries			
1. Shanghai Pudong New Area Jianqiao Good Art Private Kindergarten (上海浦東新區民辦建橋好好藝術幼兒園)	pre-school education	100%: Jian Qiao Group	100%: Jian Zhi Qiao Development
2. Shanghai Jianqiao Education and Training Co., Ltd (上海建橋教育培訓有限公司)	non-academic education training	100%: Jian Qiao Group	100%: Jian Zhi Qiao Development
3. Pingquan Xinglong Mining First Co., Ltd. (平泉興隆礦業一選有限公司)	iron ore processing	80%: Jian Qiao Group	80%: Jian Zhi Qiao Development
4. Shanghai Jianqiao Financial Consulting Co., Ltd. (上海建橋財務諮詢有限公司)	financial accounting consulting and training	70%: Jian Qiao Group	70%: Jian Zhi Qiao Development
5. Zhejiang Jianqiao Energy Development Co., Ltd. (浙江建橋能源發展有限公司)	fuel oil, gasoline, diesel storage and wholesale	60%: Jian Qiao Group	60%: Jian Zhi Qiao Development
6. Zibo Kangrun Investment Development Co., Ltd. (淄博康潤投資發展有限公司)	real estate development and sales	60%: Jian Qiao Group	60%: Jian Zhi Qiao Development
7. Jian Qiao Assets Management	management of its own assets	60%: Jian Qiao Group	60%: Jian Zhi Qiao Development
8. Zibo Kangchuan Trading Co., Ltd. (淄博康川商貿有限公司)	leasing and management of its own properties	50%: Jian Qiao Group	50%: Jian Zhi Qiao Development
9. Shanghai Jianqiao Commercial Factoring Co., Ltd. (上海建橋商業保理有限公司)	commercial factoring	70%: Jian Qiao Investment	70%: Jian Zhi Qiao Management
10. Shanghai Jianqiao Education Service Co., Ltd. (上海建橋教育服務有限公司)	canteen and store space management	80%: Jian Qiao Group and 20%: Jian Qiao Investment	80%: Jian Zhi Qiao Development and 20%: Jian Zhi Qiao Management

Name of entity	Principal business	Direct interest held by our School Sponsors immediately before the Demerger	Direct interest held by the Spun-off Parents upon the completion of the Demerger
		(%)	*(%)*
11. Shanghai Pudong Kangqiao Hotel Co., Ltd. (上海浦東康橋大酒店有限公司)	hotel[(1)]	20%: Jian Qiao Group and 80%: Jian Qiao Investment	20%: Jian Zhi Qiao Development and 80%: Jian Zhi Qiao Management
Spun-off Investments			
1. Shanghai Jianqiao Group International Trade Co., Ltd. (上海建橋集團國際貿易有限公司)	import and export of goods	40%: Jian Qiao Group	40%: Jian Zhi Qiao Development
2. Donghua Technology Park Company (上海東華大學科技園發展有限公司)	facilitating the management of Donghua University National Park and providing its services including textile and investment consultancy	approximately 36.67%: Jian Qiao Group	approximately 36.67%: Jian Zhi Qiao Development
3. Shanghai Jianqiao Group Petroleum Co., Ltd. (上海建橋集團石油有限公司)	sales of fuel oil, lubricating oil and chemical products	12%: Jian Qiao Group	12%: Jian Zhi Qiao Development
4. Shanghai Huarui Bank Co., Ltd. (上海華瑞銀行股份有限公司)	banking	6.5%: Jian Qiao Group	6.5%: Jian Zhi Qiao Development
5. Shanghai Pudong New Area Longxiang Microfinance Co., Ltd. (上海浦東新區龍象小額貸款有限公司)	provision of loans	10%: Jian Qiao Investment	10%: Jian Zhi Qiao Management

Note:

(1) The hotel building for its hotel business (i) was owned by Jian Qiao Investment and leased to Shanghai Pudong Kangqiao Hotel Co., Ltd. immediately prior to the Demerger; (ii) was spun-off to Jian Zhi Qiao Management pursuant to the Demerger and (iii) continued to be leased to Shanghai Pudong Kangqiao Hotel Co., Ltd. after the Demerger as described in the paragraph headed "– Spun-off Businesses" above.

Companies disposed of by our School Sponsors during the twelve months prior to the Demerger

Our School Sponsors held equity interests in the following companies in the PRC and disposed of their equity interests in such companies by way of capital reduction during the twelve months prior to the completion of the Demerger:

Name of company	Date of establishment	Date of disposal	Direct interest held by our School Sponsors prior to disposal	Reason for disposal
			(%)	
Shanghai Puchuang Longke Finance Leasing Co., Ltd.* (上海浦創龍科融資租賃有限公司)	March 28, 2016	October 24, 2017	32%; Jian Qiao Group	At the time of its establishment, such company was intended to engage in finance leasing business. However, at the time of disposal it had not engaged in any material business activities since its establishment and Jian Qiao Group considered it had limited prospects for future growth
Shanghai Zhongji Enterprise Management Consulting Co., Ltd.* (上海中吉企業管理諮詢股份有限公司)	September 1, 2009	August 17, 2017	10%; Jian Qiao Investment	At the time of disposal, such company engaged in enterprise management consulting and Jian Qiao Investment considered it had limited prospects for future growth

These companies are not related to our Group's higher education business, and even if they had not been disposed of by our School Sponsors before the Demerger, our School Sponsors' interests in these companies would have been spun-off from our Group as part of the Demerger and held by the Spun-off Parents upon completion of the Demerger based on the purpose of the Demerger to separate the higher education and non-higher education businesses of our School Sponsors. Accordingly, the disposals of our School Sponsors' interests in these two companies were treated as disposals by the Spun-off Parents and not disposals by our Group for accounting purposes.

Even if our School Sponsors' previous interests in these two companies were to be included in our Group, our School Sponsors only held a non-controlling interest in these two companies before the disposal, and our Directors are of the view that the financial performance of such companies would not have had a material impact on our Group's financial performance, position and cash flows during each of the years comprising the Track Record Period.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, these two companies had not been subject to any administrative orders or involved in any material claims or litigation since their respective dates of establishment until disposal by our School Sponsors.

Save as disclosed above, there were no other entities which had been deregistered, liquidated or disposed of by our School Sponsors during the twelve months prior to the completion of the Demerger.

Demerger process

According to Article 175 of the Company Law of the PRC, a company undergoing a demerger must prepare a balance sheet and a list of assets; and such company must notify its creditors within ten days from the date that it obtains its shareholders' approval for the demerger and publish an announcement in the newspaper within 30 days from the date of such shareholders' approval. Accordingly, the major steps of the demerger process of our School Sponsors included:

(a) preparing the balance sheets to facilitate the split of the assets and liabilities of our School Sponsors (as predecessor companies) between the higher education business (which was retained by our Group) and the Spun-off Businesses (which were spun-off to the Spun-off Group). For details of the accounting treatment of the Demerger, please refer to "Financial Information – Basis of Presentation" in this prospectus;

(b) obtaining approval from the shareholder(s) of our School Sponsors for the Demerger;

(c) notifying creditors[(1)] and publishing announcements in the newspaper about the approval from shareholder(s) of our School Sponsors for the Demerger; and

(d) conducting business registrations and filings at the local AIC/AMR for the demerger plans of our School Sponsors and incorporation of the Spun-off Parents.

Note (1): As advised by our PRC Legal Advisors, such notifications to creditors are purely meant to inform the creditors of the Demerger, and our School Sponsors are not required by law to seek any confirmation from their creditors (whether to confirm their consent to the Demerger, to confirm their debts or otherwise) before they can complete the demerger process so long as the notification and public announcement have been completed. As such, our School Sponsors did not attempt to obtain any confirmation from their respective creditors prior to or at the time of the Demerger. Our School Sponsors did not receive any confirmation or objection from their respective creditors prior to the Demerger following such notification and public announcement.

As advised by our PRC Legal Advisors, the relevant PRC laws and regulations do not specify what date the accounting reference date (i.e. the Demerger Balance Sheet Date) should be for the purposes of the financial information prepared for a demerger. As such, after obtaining the approval from the shareholder(s) for the demerger of Jian Qiao Investment and Jian Qiao Group on April 2, 2018 and April 3, 2018, respectively, the Demerger Balance Sheets of Jian Qiao Investment and Jian Qiao Group were prepared under PRC GAAP as of March 31, 2018, being the latest practicable date immediately prior to the approval from the shareholder(s) of our School Sponsors for the Demerger. The Demerger Balance Sheet of Jian Qiao Investment showed a split of the assets and liabilities of Jian Qiao Investment (as predecessor company) as of the Demerger Balance Sheet Date between Jian Qiao Investment (as surviving company) and Jian Zhi Qiao Management. The Demerger Balance Sheet of Jian Qiao Group showed a split of the assets and liabilities of Jian Qiao Group (as predecessor company) as of the Demerger Balance Sheet Date between Jian Qiao Group (as surviving company) and Jian Zhi Qiao Development. Such Demerger Balance Sheets were submitted to the local AIC/AMR for the demerger of our School Sponsors. Accordingly, the Demerger Balance Sheet Date was necessarily earlier than the completion date of the Demerger. Our PRC Legal Advisers have advised us that the adoption of March 31, 2018 as the Demerger Balance Sheet Date does not contravene any PRC laws and regulations.

The demerger process for Jian Qiao Investment was completed on June 12, 2018 (being the date of establishment of Jian Zhi Qiao Management), and the registered capital of Jian Qiao Investment after its demerger was RMB37.5 million. The demerger process for Jian Qiao Group was completed on June 14, 2018 (being the date of establishment of Jian Zhi Qiao Development), and the registered capital of Jian Qiao Group after its demerger was RMB175 million. According to our PRC Legal Advisors, all registrations necessary to implement the Demerger were completed with the PRC government authorities.

Allocation of liabilities and relevant legal bases

According to Article 176 of the Company Law of the PRC, the debts incurred by a company before a demerger shall be borne by the companies in existence following the demerger on a joint and several basis, unless otherwise stipulated in a written agreement on payment of debts separately reached between the company and its creditors prior to the demerger. No agreement on payment of debts was reached prior to or at the time of Demerger with the creditors of our School Sponsors (as predecessor companies) in respect of their liabilities incurred prior to the Demerger. Therefore, our PRC Legal Advisors consider that in the absence of any such written agreement, for the companies in existence following the Demerger (i.e. our School Sponsors and the Spun-off Parents),

(i) as between Jian Qiao Investment and Jian Zhi Qiao Management:

- Jian Qiao Investment and Jian Zhi Qiao Management are liable for all the liabilities (including contingent liabilities) of Jian Qiao Investment (as predecessor company) incurred before its demerger on a joint and several basis; and

- Jian Qiao Investment and Jian Zhi Qiao Management are solely liable for their own liabilities (including contingent liabilities) incurred after the Demerger;

(ii) as between Jian Qiao Group and Jian Zhi Qiao Development:

- Jian Qiao Group and Jian Zhi Qiao Development are liable for all the liabilities (including contingent liabilities) of Jian Qiao Group (as predecessor company) incurred before its demerger on a joint and several basis; and

- Jian Qiao Group and Jian Zhi Qiao Development are solely liable for their own liabilities (including contingent liabilities) incurred after the Demerger.

As disclosed in the paragraph headed "– Spun-off Businesses" above, (i) all of the Spun-off Businesses are conducted through limited liability companies or other entities with limited liability, (ii) our School Sponsors held equity investments in the Spun-off Investments immediately prior to the Demerger, and (iii) the Spun-off Parents hold equity investments in the Spun-off Investments after the Demerger. Under Article 57 and Article 60 of the General Provisions of the Civil Law of the PRC, (i) legal persons are organisations who have the capacity for civil rights and capacity for civil conduct, and can independently enjoy civil rights and bear civil liability according to the law and (ii) legal persons shall independently assume civil liability with regard to all of their property. Further, pursuant to Article 3 of the Company Law of the PRC, a company is an enterprise legal person (企業法人) and a company shall be liable for its debts to the extent of all of its property. Therefore, our PRC Legal Advisors consider that all of the Spun-off Entities are separate legal persons of limited liability nature under PRC law and, on that basis, as shareholders of limited liability entities, our School Sponsors are not liable for the liabilities of the Spun-off Entities incurred prior to the Demerger, and the Spun-off Parents are not liable for the liabilities of the Spun-off Entities incurred after the Demerger, unless as contractually agreed otherwise.

(1) Allocation of liabilities of Jian Qiao Investment

Based on the Demerger Balance Sheet of Jian Qiao Investment, the total outstanding liabilities of Jian Qiao Investment (as predecessor company) as of March 31, 2018, being the Demerger Balance Sheet Date, was approximately RMB279.5 million, approximately RMB3.0 million of which was spun-off to Jian Zhi Qiao Management and the remaining amount of approximately RMB276.6 million of which was retained by Jian Qiao Investment (as surviving company).

The following table sets forth the split of the outstanding liabilities of Jian Qiao Investment (as predecessor company) as of the Demerger Balance Sheet Date between Jian Qiao Investment (as surviving company) and Jian Zhi Qiao Management:

	Before the Demerger	**Upon the completion of the Demerger**	
Items	**Jian Qiao Investment (as predecessor company)**	**Jian Qiao Investment (as surviving company)**	**Jian Zhi Qiao Management**
	(RMB in thousands)	*(RMB in thousands)*	*(RMB in thousands)*
Other payables			
Special payables (“專項應付款”) in relation to gains from the disposal of the previous campus(1)	268,382	268,382	–
Others	32	32	–
Due to its related parties	6,017	3,065(2)	2,952(5)
Trade payables(3)	21	21	–
Interest-bearing bank borrowings	5,000	5,000	–
Tax payable(4)	56	56	–
Total	279,508	276,556	2,952

Notes:

(1) It represents gains from the disposal of our previous campus under “acquisition into land reserve” (“土地收購儲備”) by government. According to the related government policy, the recognition of a disposal gain can be deferred for up to five years and as instructed by the local tax authority, payments due in relation to such gains are recorded as “special payables” (“專項應付款”) on the balance sheets audited by our PRC auditors in accordance with PRC GAAP. Under IFRS, the disposal gains were not recorded as payables but were instead recognized and recorded as other income in the year 2015, prior to the Track Record Period.

(2) It was fully settled as of December 31, 2018.

(3) It represents payables for university operation related purchases/projects.

(4) It represents withholding of individual income tax.

(5) It represents amount (the “RP Balance A”) due to Shanghai Pudong Kangqiao Hotel Co., Ltd., which is a subsidiary of Jian Zhi Qiao Management (the “Relevant RP A”).

As set out in the paragraphs headed “Allocation of liabilities and relevant legal bases” above, pursuant to Article 176 of the Company Law of the PRC, in the absence of any written agreements with the creditors of Jian Qiao Investment, Jian Qiao Investment remains liable for the liabilities of Jian Zhi Qiao Management pre-existing before the Demerger on a joint and several basis. The following sets out an analysis of the ongoing liability of Jian Qiao Investment following the Demerger for the liabilities of Jian Qiao Investment (as predecessor company) incurred immediately prior to the Demerger, as set out in the table above:

1. *For the liabilities in the column headed "Jian Qiao Investment (as surviving company)":*

As these liabilities of Jian Qiao Investment (as predecessor company) were not clearly associated with the non-higher education businesses or otherwise could not be transferred, such liabilities were retained by Jian Qiao Investment at the time of the Demerger pursuant to the shareholder's approval of Jian Qiao Investment (as predecessor company) and the demerger agreement between Jian Qiao Investment and Jian Zhi Qiao Management for the Demerger.

2. *For the liabilities in the column headed "Jian Zhi Qiao Management":*

When splitting the liabilities, the liabilities clearly associated with the non-higher education businesses and which could be transferred were spun-off. The only liability in this column is the RP Balance A of approximately RMB2,952,000, details of which are set out in Note (5) above. As the RP Balance A was clearly associated with the non-higher education businesses and could be transferred, it was spun-off to Jian Zhi Qiao Management pursuant to the shareholder's approval of Jian Qiao Investment (as predecessor company) and the demerger agreement between Jian Qiao Investment and Jian Zhi Qiao Management for the Demerger. Pursuant to Article 176 of the Company Law of the PRC, Jian Qiao Investment (as surviving company) remained jointly and severally liable for the RP Balance A. However, after the Demerger, on April 24, 2019, the Relevant RP A has irrevocably agreed, by a written confirmation, to release Jian Qiao Investment from any liability in respect of the RP Balance A. Our PRC Legal Advisers confirm that (i) such written confirmation is legally binding on the Relevant RP A and as such, Jian Qiao Investment no longer has joint and several liability for the RP Balance A, (ii) such written confirmation stipulates that it is an irrevocable release and therefore such written confirmation is irrevocable and (iii) such confirmation is admissible in any subsequent litigations in respect of the RP Balance A against Jian Qiao Investment.

3. *For the liabilities of the Spun-off Businesses and the Spun-off Investments:*

As set out in the paragraph headed "Spun-off Businesses" above, after the Demerger, Jian Zhi Qiao Management is an investment holding company and holds its interests in the Spun-off Businesses through the relevant Spun-off Subsidiaries. Jian Zhi Qiao Management does not directly hold the Spun-off Businesses. In addition, Jian Zhi Qiao Management (i) directly holds a building which it leases to a wholly-owned Spun-off Subsidiary of Jian Zhi Qiao Management and (ii) holds minority equity investments in certain Spun-off Investments. Each of the Spun-off Entities is a separate legal person with limited liability under PRC law and is not a member of our Group following the Demerger. As advised by our PRC Legal Advisers, pursuant to Articles 57 and 60 of the General Provisions of the Civil Law and Article 3 of the Company Law of the PRC, details of which are set out in the paragraphs headed "Allocation of liabilities and relevant legal bases" above, as shareholders of limited liability entities, Jian Qiao Investment is not liable for the liabilities of the Spun-off Entities incurred prior to the Demerger and

Jian Zhi Qiao Management is not liable for the liabilities of the Spun-off Entities incurred after the Demerger, in each case unless contractually agreed otherwise. As a result of the separate legal person status of the Spun-off Entities, on the basis of the relevant legal provisions referred to above, the outstanding liabilities arising from the Spun-off Businesses conducted by the Spun-off Subsidiaries and from the equity investments through the Spun-off Investments are reflected in the respective accounts of the relevant Spun-off Entities and are not reflected in the company level accounts of Jian Zhi Qiao Management.

For the building held directly by Jian Zhi Qiao Management after the Demerger, the relevant Spun-off Subsidiary to which such building is leased has agreed, by a written confirmation, to release Jian Qiao Investment from any liability due to it. Our PRC Legal Advisers confirm that such written confirmation is legally binding on the relevant Spun-off Subsidiary of Jian Zhi Qiao Management and as such, Jian Qiao Investment no longer has any liability to such Spun-off Subsidiary.

Immediately prior to the Demerger, Jian Qiao Investment (as predecessor company) did not have any significant contingent liabilities, guarantees or any material litigation against it, other than guarantees it had provided for certain bank borrowings of our University, amounting to approximately RMB850 million as of March 31, 2018. Such guarantees provided by Jian Qiao Investment (as predecessor company) were retained by Jian Qiao Investment (as surviving company), such that the guarantor under the relevant guarantees remains unchanged. Our University's rights to collect tuition fees were pledged in relation to a bank borrowing of our University amounting to approximately RMB800 million, from January 17, 2014 to January 16, 2026. Other than such pledge, our University's assets or rights had not been pledged as guarantees at the time of the Demerger.

As advised by our PRC Legal Advisors, Jian Zhi Qiao Management will be solely responsible for any guarantees provided by it after the Demerger.

No additional liabilities (including contingent liabilities) were incurred on the accounts of Jian Zhi Qiao Management from the Demerger Balance Sheet Date to the completion date of the Demerger.

The unaudited revenue and net profit of Jian Zhi Qiao Management based on its management accounts for the period from April 1, 2018 to December 31, 2018 were approximately RMB4.1 million and RMB3.0 million, respectively. As of March 31, 2018, which is the Demerger Balance Sheet Date, the audited total assets, net asset value and net current assets of Jian Zhi Qiao Management under PRC GAAP were approximately RMB367.1 million, RMB364.1 million and RMB231.2 million, respectively.

(2) Allocation of liabilities of Jian Qiao Group

Based on the Demerger Balance Sheet of Jian Qiao Group, the total outstanding liabilities of Jian Qiao Group (as predecessor company) as of March 31, 2018, being the Demerger Balance Sheet Date, were approximately RMB1,141.8 million, approximately RMB411.6 million of which was spun-off to Jian Zhi Qiao Development and the remaining amount of approximately RMB730.2 million of which was retained by Jian Qiao Group (as surviving company).

The following table sets forth the split of the outstanding liabilities of Jian Qiao Group (as predecessor company) as of the Demerger Balance Sheet Date between Jian Qiao Group (as surviving company) and Jian Zhi Qiao Development:

	Before the Demerger	**Upon the completion of the Demerger**	
Items	**Jian Qiao Group (as predecessor company)**	**Jian Qiao Group (as surviving company)**	**Jian Zhi Qiao Development**
	(RMB in thousands)	*(RMB in thousands)*	*(RMB in thousands)*
Other payables			
Payables to employees(1)	11,524	11,524	–
Special payables ("專項應付款") in relation to gains from the disposal of the previous campus(2)	299,552	299,552	–
Payables for construction projects related to the campus of our University(1)	28,150	28,150	–
Others	172	172	–
Due to its related parties	604,065	192,499(3)	411,566(6)
Trade payables(4)	108	108	–
Interest-bearing bank borrowings	128,620	128,620	–
Tax payable(5)	69,622	69,622	–
Total	1,141,813	730,247	411,566

Notes:

(1) It was fully settled as of December 31, 2018.

(2) According to relevant government policy, recognition of gains from the disposal of our previous campus under "acquisition into land reserve" ("土地收購儲備") by government can be deferred for up to five years and, as instructed by the local tax authority, payments due in relation to such gains are recorded as "special payables" ("專項應付款") on the balance sheets audited by our PRC auditors in accordance with PRC GAAP. Under IFRS, the disposal gains were not recorded as payables but were instead recognized and recorded as other income in the year 2015, prior to the Track Record Period.

(3) Amount due to its related parties consisted of (i) amount due to its subsidiaries of RMB154,444,000 as a result of intra-group funding arrangements, which was fully settled as of June 30, 2019, (ii) amount due to its ultimate shareholders of RMB18,850,000, which was fully settled as of December 31, 2018, and (iii) amount due to its other related parties of RMB19,205,000, which was fully settled as of December 31, 2018.

(4) It represents payables for University operation related purchases/projects.

(5) It mainly consisted of income tax payables incurred from gains from the disposal of our previous campus under "acquisition of assets" by government, which has been fully settled as of December 31, 2018.

(6) It represents amounts (the "RP Balance B") due to the following subsidiaries and associates of Jian Zhi Qiao Development (i.e. Jian Zhi Qiao Management and certain Spun-off Entities) (the "Relevant RP B"):

	(RMB in thousands)
Due to the Relevant RP B	
Jian Zhi Qiao Management	225,397
Shanghai Jianqiao Education Service Co., Ltd.	–
Shanghai Jianqiao Commercial Factoring Co., Ltd.	3,350
Shanghai Jianqiao Group International Trade Co., Ltd.	–
Jian Qiao Assets Management	17,208
Shanghai Jianqiao Education and Training Co., Ltd	–
Shanghai Jianqiao Group Petroleum Co., Ltd.	–
Zibo Kangrun Investment Development Co., Ltd.	–
	411,566

Prior to the Demerger, Jian Qiao Group (as predecessor company) as the parent company had been responsible for the treasury operation and constantly managed the group's overall cash utilization. Excess cash produced by certain parts of the group was used to fund the needs of other parts of the group (including advances provided to subsidiaries and associates in need of cash, and equity investment made by Jian Qiao Group), leading to the above outstanding amounts due, which was spun-off to Jian Zhi Qiao Development as part of the Demerger.

The Company understands that, after the Demerger, Jian Zhi Qiao Development as the parent company of the Spun-off Group is responsible for the treasury operation and cash managements of the Spun-off Group, and therefore such RP balance B has remained outstanding and due by Jian Zhi Qiao Development. The RP Balance B will continue to exist and may change in accordance with excess cash sources and cash requirement of the Spun-off Group as a whole from time to time and it is currently not intended to be fully settled at any specific date. As of the Latest Practicable Date such balance was RMB246.0 million.

As set out in the paragraphs headed "Allocation of liabilities and relevant legal bases" above, pursuant to Article 176 of the Company Law of the PRC, in the absence of any written agreements with the creditors of Jian Qiao Group, Jian Qiao Group remains liable for the liabilities of Jian Zhi Qiao Development pre-existing before the Demerger on a joint and several basis. The following sets out an analysis of the ongoing liability of Jian Qiao Group following the Demerger for the liabilities of Jian Qiao Group (as predecessor company) incurred immediately prior to the Demerger, as set out in the table above:

1. *For the liabilities in the column headed "Jian Qiao Group (as surviving company)":*

   As these liabilities of Jian Qiao Group (as predecessor company) were not clearly associated with the non-higher education businesses or otherwise could not be transferred, such liabilities were retained by Jian Qiao Group at the time of the Demerger pursuant to the shareholders' approval of Jian Qiao Group (as predecessor company) and the demerger agreement between Jian Qiao Group and Jian Zhi Qiao Development for the Demerger.

2. *For the liabilities in the column headed "Jian Zhi Qiao Development":*

   When splitting the liabilities, the liabilities clearly associated with the non-higher education businesses and which could be transferred were spun-off. The only liabilities in this column are the RP Balance B of approximately RMB411,566,000, details of which are set out in the Note (6) above. As the RP Balance B were clearly associated with the non-higher education businesses and could be transferred, they were spun-off to Jian Zhi Qiao Development pursuant to the shareholders' approval of Jian Qiao Group (as predecessor company) and the demerger agreement between Jian Qiao Group and Jian Zhi Qiao Development for the Demerger. Pursuant to Article 176 of the Company Law of the PRC, Jian Qiao Group (as surviving company) remained jointly and severally liable for the RP Balance B. However, after the Demerger, on April 24, 2019, all of the Relevant RP B have irrevocably agreed, by a written confirmation, to release Jian Qiao Group from any liability in respect of the RP Balance B. Our PRC Legal Advisers confirm that (i) such written confirmation is legally binding on the Relevant RP B and as such, Jian Qiao Group no longer has joint and several liability for the RP Balance B, (ii) such written confirmation stipulates that it is an irrevocable release, and therefore such written confirmation is irrevocable and (iii) such confirmation is admissible in any subsequent litigations in respect of the RP Balance B against Jian Qiao Group.

3. *For the liabilities of the Spun-off Businesses and the Spun-off Investments:*

   As set out in the paragraph headed "Spun-off Businesses" above, after the Demerger, Jian Zhi Qiao Development is an investment holding company and holds its interests in the Spun-off Businesses through the Spun-off Subsidiaries. Jian Zhi Qiao Development does not directly hold the Spun-off Businesses. In addition, Jian Zhi Qiao Development holds minority equity investments in certain Spun-off Investments. Each of the Spun-off Entities is a separate legal person with limited liability under PRC law and is not a member of our Group following the Demerger. As advised by our PRC Legal Advisers, pursuant to Articles 57 and 60 of the General Provisions of the Civil Law and Article 3 of the Company Law of the PRC, details of which are set out in the paragraphs headed "Allocation of liabilities and relevant legal bases" above, as a shareholder of limited liability entities, Jian Qiao Group is not liable for the liabilities of the Spun-off Entities incurred prior to the Demerger and Jian Zhi Qiao Development is not liable for the liabilities of the Spun-off Entities incurred after the Demerger, in each case unless contractually agreed otherwise. As a result of the separate legal person status of the Spun-off Entities, on the basis of the relevant legal provisions referred to above, the outstanding liabilities arising from the Spun-off Businesses conducted by the Spun-off Subsidiaries and from the equity investments through the Spun-off Investments are reflected in the respective accounts of the relevant Spun-off Entities and are not reflected in the company level accounts of Jian Zhi Qiao Development.

Immediately prior to the Demerger, Jian Qiao Group (as predecessor company) did not have any significant contingent liabilities, guarantees or any material litigation against it, other than guarantees it had provided for (i) certain bank borrowings of our University with a maximum guaranteed loan amount of approximately RMB1.4 billion as of March 31, 2018 and (ii) certain bank borrowings of other subsidiaries and associates before the Demerger (i.e. Jian Qiao Investment and certain Spun-off Entities) with a maximum guaranteed loan amount of approximately RMB0.8 billion as of March 31, 2018.

All the aforesaid guarantees provided by the Jian Qiao Group (as predecessor company) at the time of the Demerger were retained by Jian Qiao Group (as surviving company), such that the guarantor under the relevant guarantees remains unchanged.

As of the Latest Practicable Date, out of the aforesaid guarantees provided by Jian Qiao Group (as predecessor company) immediately prior to the Demerger, the guarantees provided for bank borrowings of our University still remained in the Group, while the other guarantees provided by Jian Qiao Group had been released upon full settlement of the relevant bank loans or transferred to Jian Zhi Qiao Development upon signing of the supplemental agreement with the relevant creditor which confirms that all of the rights and obligations under the original guarantee had been transferred from Jian Qiao Group to Jian Zhi Qiao Development.

As advised by our PRC Legal Advisors, Jian Zhi Qiao Development will be solely responsible for any guarantees provided by it after the Demerger.

No additional liabilities (including contingent liabilities) were incurred on the accounts of Jian Zhi Qiao Development from the Demerger Balance Sheet Date to the completion date of the Demerger, other than tax payables and salary payables, which were accrued and settled on an ongoing basis. Such accrued tax payables and salary payables had been fully settled as of the Latest Practicable Date.

The unaudited revenue and net loss of Jian Zhi Qiao Development based on its management accounts for the period from April 1, 2018 to December 31, 2018 were approximately RMB9.8 million and RMB1.1 million, respectively. As of March 31, 2018, which is the Demerger Balance Sheet Date, the audited total assets, net asset value and net current assets of Jian Zhi Qiao Development under PRC GAAP were approximately RMB1,229.7 million, RMB818.2 million and RMB303.5 million, respectively.

View of our Directors and the Sole Sponsor

Based on the following, the Directors confirm that there are no material unidentified and unrecorded liabilities incurred by our School Sponsors (as predecessor companies) prior to the Demerger:

(i) as required by relevant PRC laws, all the liabilities of our School Sponsors (as predecessor companies) as of the Demerger Balance Sheet Date and the split of such liabilities between our School Sponsors (as surviving companies) and the Spun-off Parents had been reflected in their Demerger Balance Sheets prepared by our PRC auditors;

(ii) as to the liabilities of our School Sponsors (as predecessor companies) incurred from the Demerger Balance Sheet Date to the completion of Demerger:

   a. for such liabilities incurred and retained by our Group, our Group's liability position as of each period end during the Track Record Period have been subject to audit and is disclosed in the Accountants' Report of our Group in Appendix I to this prospectus;

   b. for such liabilities incurred and spun-off to the Spun-off Parents, no such additional liabilities (including contingent liabilities) were incurred, other than tax payables and salary payables, which were accrued and settled on an ongoing basis. Such accrued tax payables and salary payables had been fully settled as of the Latest Practicable Date; and

(iii) our Directors are not aware of unrecorded guarantees or any material unrecorded outstanding legal proceedings or claims against any of our School Sponsors (as predecessor companies) immediately prior to the Demerger.

Based on the following, our Directors are of the view, and the Sole Sponsor concurs, that our Group is not subject to any claims, liabilities or legal consequences in connection with the outstanding liabilities of the Spun-off Parents and the Spun-off Entities incurred prior to the Demerger:

(i) based on the amount of assets and liabilities spun-off to the Spun-off Parents as shown on the Demerger Balance Sheets, and our management's understanding of the operations of the Spun-off Parents, the Spun-off Parents have sufficient financial resources to repay their outstanding liabilities incurred prior to the Demerger;

(ii) the only liabilities of our School Sponsors (as predecessor companies) which were spun-off to the Spun-off Parents were the outstanding balances owed by the Spun-off Parents to their subsidiaries and associates. After the Demerger, these related parties of the Spun-off Parents have agreed, by written confirmations, to release our School Sponsors from any liability in respect of the relevant outstanding balances owed by the Spun-off Parents to the relevant related parties. Our PRC Legal Advisors confirm that such written confirmations are legally binding on the relevant related party and as such, our School Sponsors no longer have joint and several liability for the relevant balance due to the relevant related party;

(iii) no additional liabilities (including contingent liabilities) were incurred on the accounts of the Spun-off Parents from the Demerger Balance Sheet Date to the completion of Demerger, other than tax payables and salary payables, which were accrued and settled on an ongoing basis. Such accrued tax payables and salary payables had been fully settled as of the Latest Practicable Date;

(iv) the Spun-off Entities are separate legal persons of limited liability nature under PRC law, and on that basis, as shareholders of limited liabilities entities, our School Sponsors are not liable for the liabilities of the Spun-off Entities incurred prior to the Demerger, and the Spun-off Parents are not liable for the liabilities of the Spun-off Entities incurred after the Demerger, unless contractually agreed otherwise;

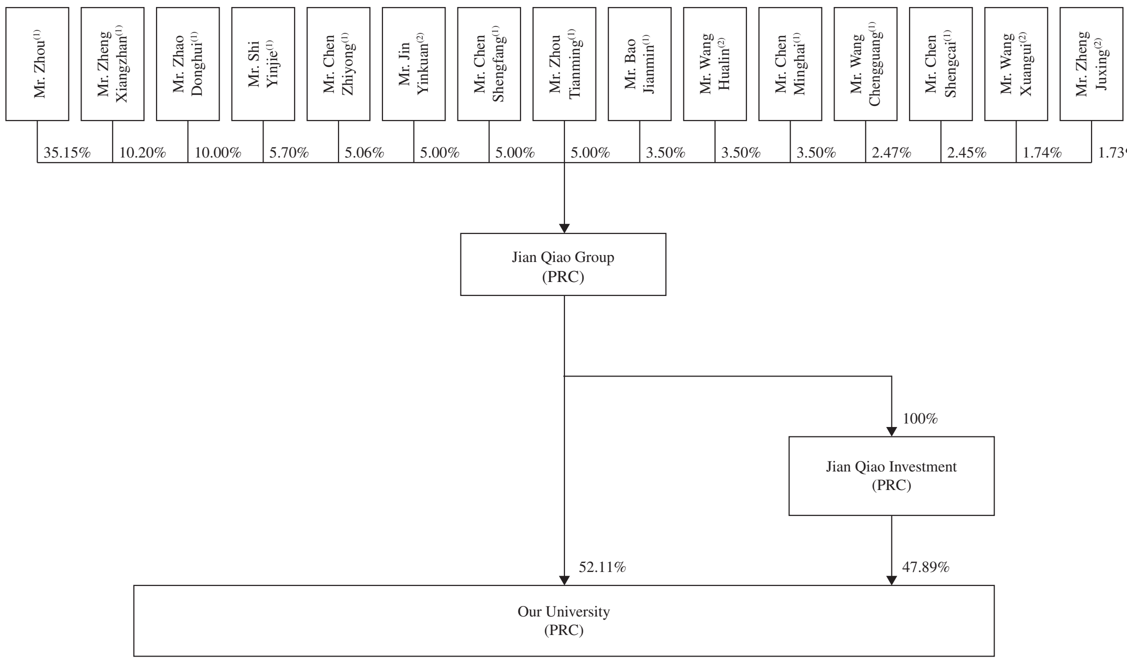
(v) our School Sponsors (as predecessor companies) were/are not contractually liable for the liabilities of the Spun-off Entities incurred prior to the Demerger, other than certain guarantees provided by our School Sponsors (as predecessor companies) for bank borrowings of certain Spun-off Entities before the Demerger disclosed above which were retained by our School Sponsors (as surviving companies) at the time of the Demerger. As of the Latest Practicable Date, all such guarantees had been released;

(vi) as set out above, there are no material unidentified and unrecorded liabilities of our School Sponsors (as predecessor companies) incurred prior to the Demerger; and

(vii) in addition, the Controlling Shareholders have undertaken to indemnify us, on a joint and several basis, from any loss, cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from any unidentified or unrecorded liabilities of our School Sponsors (as predecessor companies) incurred prior to the Demerger.

CORPORATE REORGANIZATION

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



Notes:

(1) For the relationship between these individuals with our Group, please see the table under the paragraph headed "History of our School Sponsors – (2) Jian Qiao Group – Capital increase" in this section.

(2) They are Independent Third Parties.

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

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 8, 2018 with an authorized share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each. On the same day, one subscriber Share was issued to an Independent Third Party incorporator and then transferred to an offshore holding company of Mr. Zhou, and a total of 9,999 Shares were issued at par to the respective offshore holding companies of Mr. Zhou and 14 other individuals. Immediately following such share transfer and subscriptions, the shareholding of our Company as set forth below:

Subscriber	Shareholder of the subscriber	Number of Shares held	Shareholding percentage in the Company
			(%)
She De Limited	Mr. Zhou	2,200	22.00
Gan En Limited	Mr. Zhou	1,315	13.15
Ze Ren Limited	Mr. Zheng Xiangzhan	1,020	10.20
Ai Xin Limited	Mr. Zhao Donghui	1,000	10.00
Tuan Jie Limited	Mr. Shi Yinjie	570	5.70
Du Zhi Limited	Mr. Chen Zhiyong	506	5.06
Shen Si Limited	Mr. Jin Yinkuan	500	5.00
Zi Qiang Limited	Mr. Chen Shengfang	500	5.00
Kai Tuo Limited	Mr. Zhou Tianming	500	5.00
Qie Wen Limited	Mr. Bao Jianmin	350	3.50
Tuo Xin Limited	Mr. Wang Hualin	350	3.50
Ming Bian Limited	Mr. Chen Minghai	350	3.50
Jin Si Limited	Mr. Wang Chengguang	247	2.47
Hou Tu Limited	Mr. Chen Shengcai	245	2.45
Bo Xue Limited	Mr. Wang Xuangui	174	1.74
Qiu Shi Limited	Mr. Zheng Juxing	173	1.73
Total		10,000	100

2. Incorporation of the offshore group companies

Gench BVI

Gench BVI was incorporated under the laws of the BVI on May 15, 2018 with one share issued to our Company at US$1 credited as fully paid. Gench BVI is an investment holding company.

Gench HK

Gench HK was incorporated as a limited liability company in Hong Kong on June 1, 2018 with one share issued to Gench BVI. Gench HK is an investment holding company.

3. Establishment of Gench WFOE

Gench WFOE was established in the PRC on October 31, 2018 as a wholly foreign owned enterprise with a registered capital of RMB10 million, and was wholly owned by Gench HK. The registered capital shall be fully paid up by December 31, 2028. Gench WFOE principally provides technical and management consultancy services to our PRC Affiliated Entities.

4. Incorporation of Gench US

Gench US was incorporated under the laws of the State of California on August 13, 2018 with 10,000 shares of no par value being authorized to be issued. On October 30, 2018, 10,000 shares were issued to Gench HK. Gench US is an investment holding company.

5. Entering into the Contractual Arrangements to control our PRC Affiliated Entities by Gench WFOE

On December 11, 2018, Gench WFOE entered into various agreements that constitute the Contractual Arrangements with, among others, our PRC Affiliated Entities, under which all economic benefits arising from the business of our PRC Affiliated Entities are transferred to Gench WFOE by means of services fees payable by our PRC Affiliated Entities to Gench WFOE.

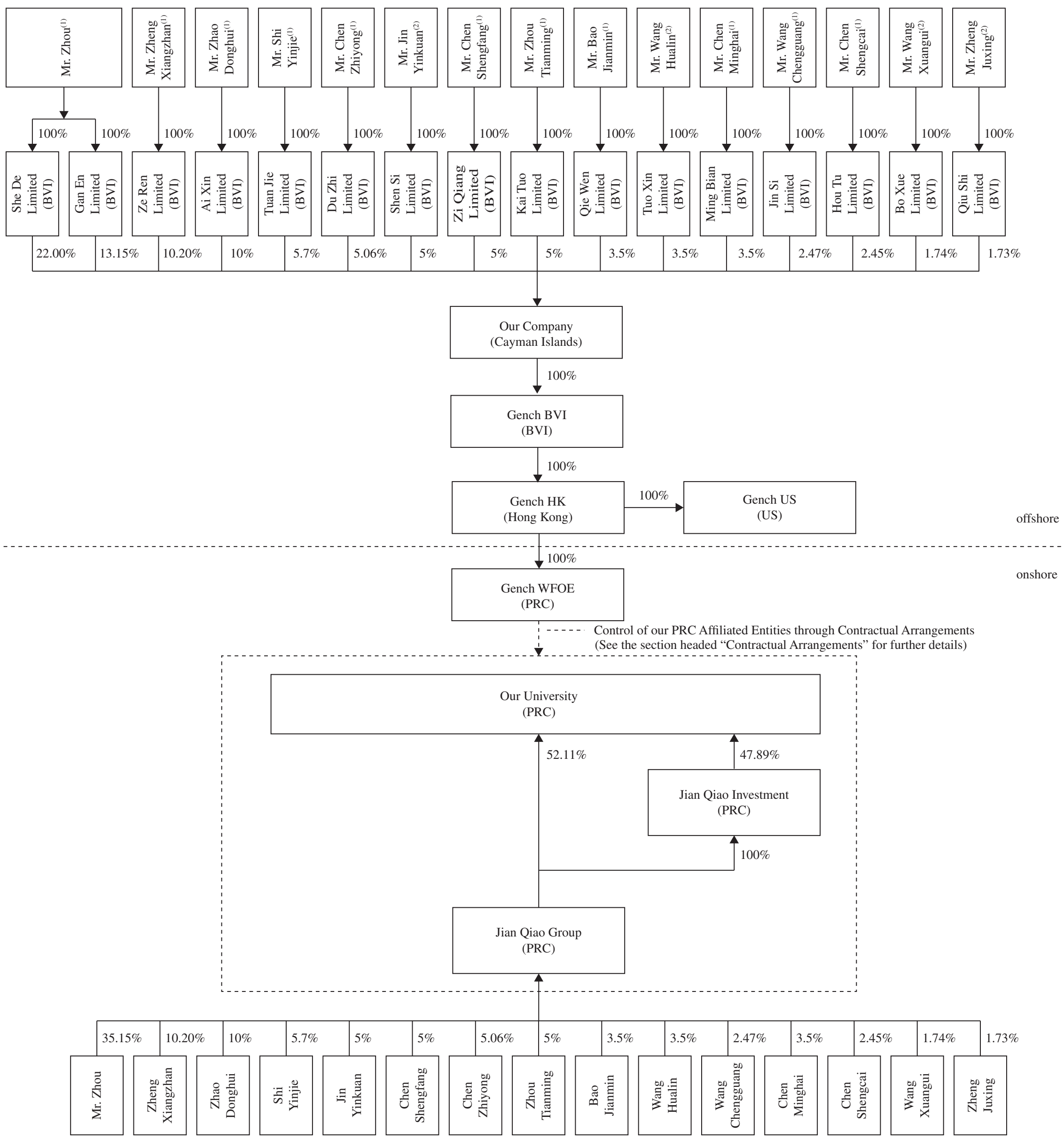
COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisors confirmed that the establishment of our School Sponsors and our University 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 licences 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 the Corporate Reorganization and immediately prior to the Listing:



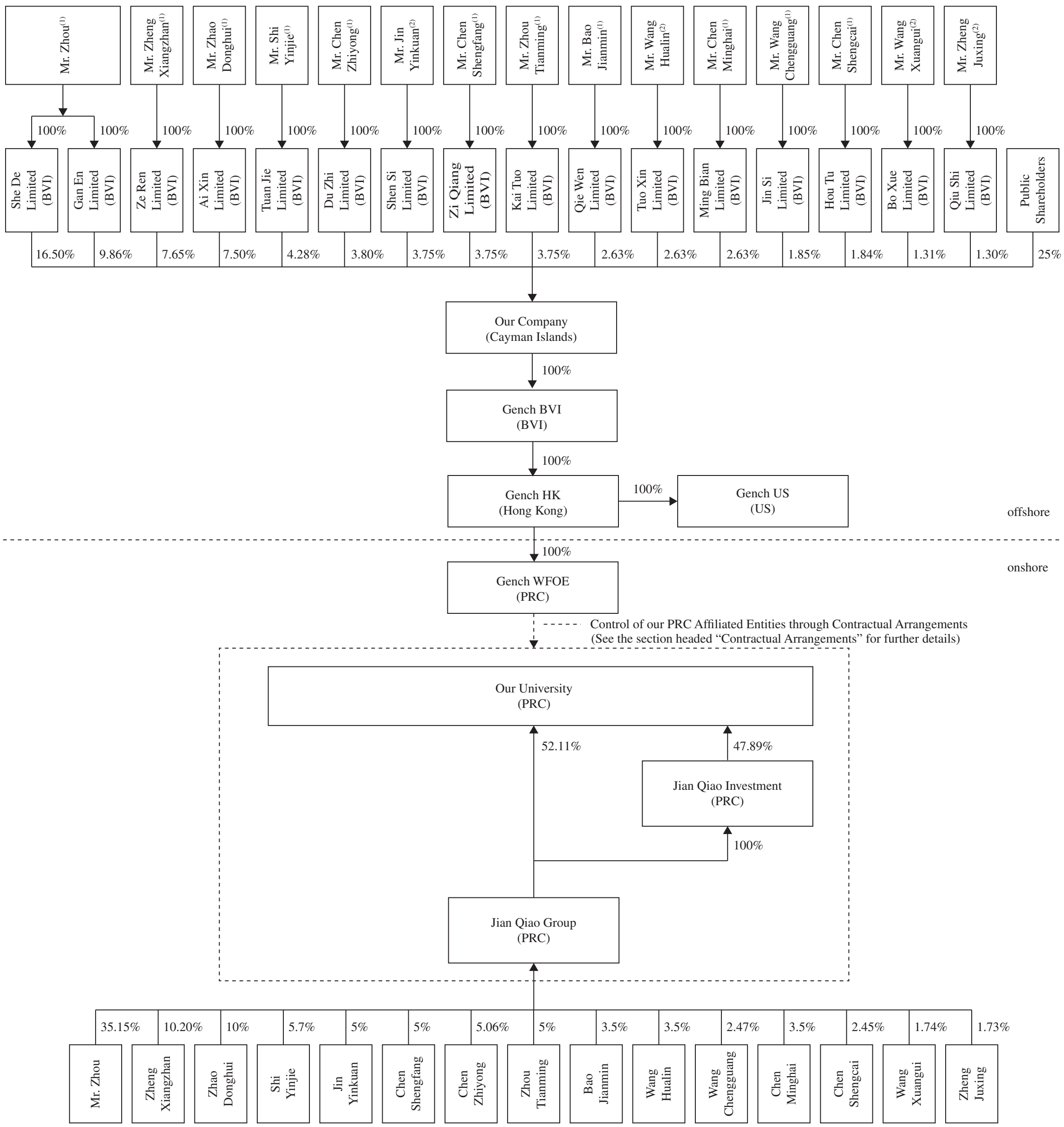
Notes:

(1) For the relationship between these individuals with our Group, please see the table under the paragraph headed "History of our School Sponsors – (2) Jian Qiao Group – Capital increase" in this section.

(2) They are Independent Third Parties.

GROUP STRUCTURE UPON THE LISTING

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



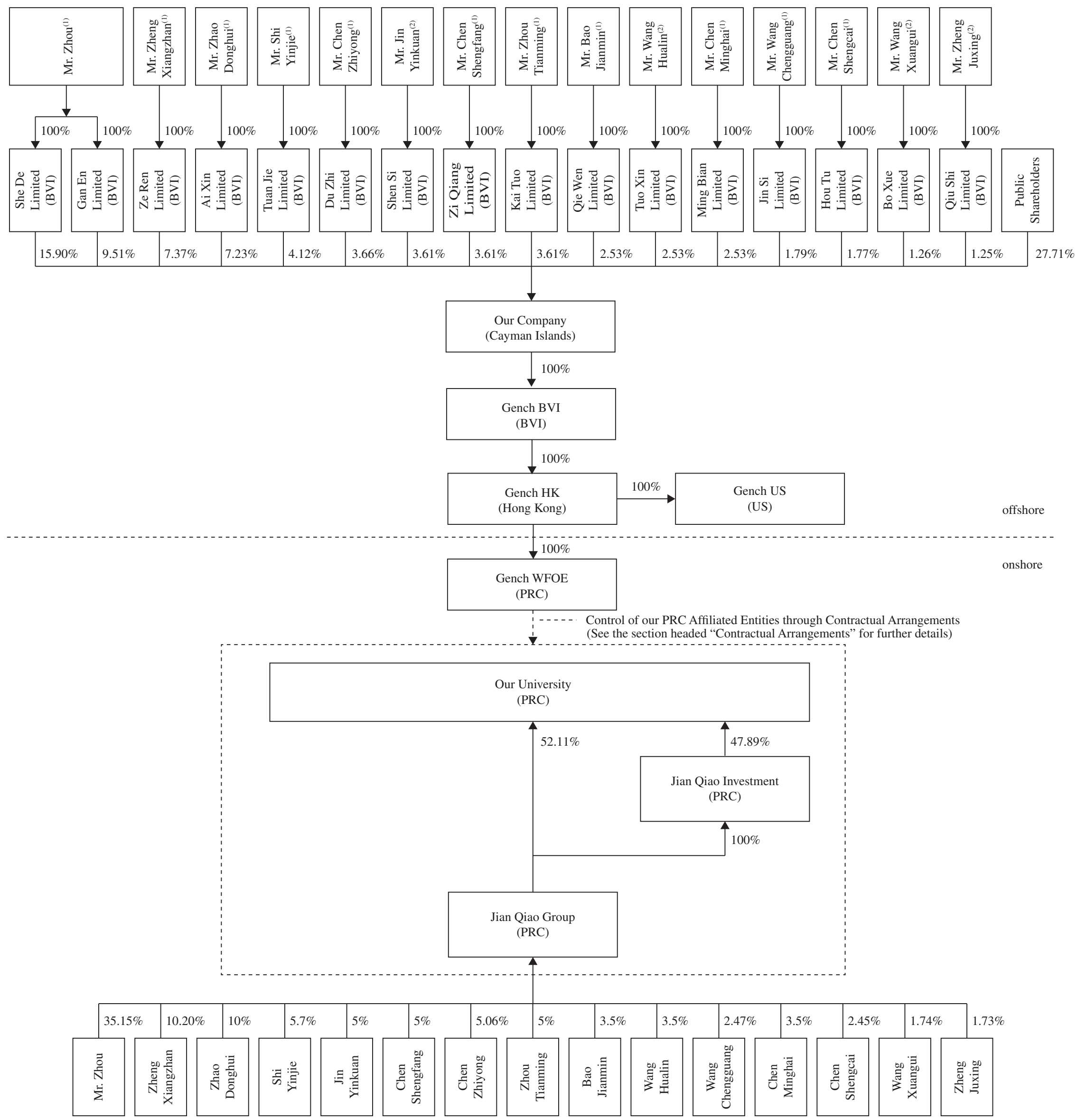
Notes:

(1) For the relationship between these individuals with our Group, please see the table under the paragraph headed "History of our School Sponsors – (2) Jian Qiao Group – Capital increase" in this section.

Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, She De Limited, Gan En Limited, Ze Ren Limited and Tuan Jie Limited, who will, in aggregate, control the exercise of the voting rights of approximately 38.29% of the Shares eligible to vote in the general meeting of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme) are deemed to be a group of controlling shareholders of our Company on the basis that: (i) Mr. Zhou, Mr. Zheng and Mr. Shi, who are also the executive Directors of the Company, had invested in the Group together for almost 20 years since 2000 when Jian Qiao Group and our University were established; and (ii) they have all along reached consensus and had unanimous voting pattern on key decisions regarding the Group's management and operation at the shareholders' meetings.

(2) They are Independent Third Parties.

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



Notes:

(1) For the relationship between these individuals with our Group, please see the table under the paragraph headed "History of our School Sponsors – (2) Jian Qiao Group – Capital increase" in this section.

Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, She De Limited, Gan En Limited, Ze Ren Limited and Tuan Jie Limited, who will, in aggregate, control the exercise of the voting rights of approximately 36.90% of the Shares eligible to vote in the general meeting of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme) are deemed to be a group of controlling shareholders of our Company on the basis that: (i) Mr. Zhou, Mr. Zheng and Mr. Shi, who are also the executive Directors of the Company, had invested in the Group together for almost 20 years since 2000 when Jian Qiao Group and our University were established; and (ii) they have all along reached consensus and had unanimous voting pattern on key decisions regarding the Group's management and operation at the shareholders' meetings.

(2) They are Independent Third Parties.

SCHOOL TO BE ESTABLISHED

California Gench College

With a view to creating synergies with our University in China and complying with the Qualification Requirement as further described in the section headed "Contractual Arrangements" in this prospectus, we plan to expand our school network abroad by establishing a degree-granting higher education institution in the State of California, the U.S. We have engaged an agent who has experience in postsecondary education to assist us in establishing Gench US, and filing applications with the BPPE regarding our establishment of the California Gench College, a higher education institution, in California, U.S. On August 13, 2018, Gench US was established in the State of California by the agent, and it became our subsidiary on October 30, 2018 to operate and manage the California Gench College. In connection with our establishment of California Gench College, we filed an application with the BPPE on November 21, 2018, and we received a response letter dated October 1, 2019 from the BPPE to request for further information. Based on the further information requested by BPPE and our understanding from our agent, assuming there is no major issue, the approval process with the BPPE is expected to complete in 2020. Our Directors currently do not foresee any major issue in this regard based on our communication with our agent. We have expended approximately US$44,725 in connection with our establishment of the California Gench College as of the Latest Practicable Date. See also "Business – Future Development – Overseas College" for details.

SAFE REGISTRATION

Pursuant to the Circular on the Management of Offshore Investment and Financing and Round Trip 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 "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related in Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**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 branch to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, all the Registered Shareholders have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on September 25, 2018.

M&A RULES

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

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

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private higher education business through our PRC Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher 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 Affiliated Entities. The Contractual Arrangements, through which we obtain control over and derive the economic benefits from our PRC Affiliated Entities, 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 Contractual Arrangements for the existing PRC Affiliated Entities and expect to enter into contractual arrangements for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Contractual Arrangements in all material aspects.

Higher Education

Pursuant to the Negative List, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List 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 our University on the basis that (a) the principals and the chief executive officers of our University 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 Sino-Foreign Regulation, if we were to apply for our University to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement"). Our PRC Legal Advisors have advised, and as confirmed in the interview with the relevant competent education authority 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, 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 such Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level.

Our PRC Legal Advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. On June 3, 2018, with the assistance of our PRC Legal Advisors, we consulted Shanghai Municipal Education Commission (上海市教育委員會), being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the relevant official of the department of foreign cooperation and exchange (國際交流處) at the Shanghai Municipal Education Commission that:

(i) the Foreign Ownership Restriction and Qualification Requirement apply to Sino-Foreign Joint Venture Private Schools in Shanghai;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Shanghai;

(iii) no Sino-Foreign Joint Venture Private School will be approved in Shanghai at current stage, regardless of the percentage of the foreign portion of the total investment amount and no Sino-Foreign Joint Venture Private School has been approved in Shanghai for a long time;

(iv) it becomes more stringent and difficult in approving the establishment of Sino-Foreign Joint Venture Private Schools in Shanghai; and

(v) the execution of the Contractual Arrangements does not require approval from the education authorities.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize our University and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School. The Shanghai Municipal Education Commission has confirmed that it will not approve such application due to lack of implementation rules or guidance.

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 following the Listing to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools in Shanghai, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "Background of the Contractual Arrangements – Circumstances in which We Will Unwind the Contractual Arrangements" and "Background of the Contractual Arrangements – Plan to Comply with the Qualification Requirement" in this section of this prospectus for details.

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 Contractual Arrangements and the financial results of our PRC Affiliated Entities, which engage in higher education service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Affiliated Entities has been legally established and except for those disclosed under "– Legality of the Contractual Arrangements – PRC Legal Opinions" under this section and "Risk Factors – Risks relating to our Contractual Arrangements" of this prospectus, the Contractual Arrangements in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our higher education business do not render our higher education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the Shanghai Municipal Education Commission during our consultations with it that the Contractual Arrangements do not require approval from the Shanghai Municipal Education Commission. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Contractual Arrangements in the education industry.

Circumstances in which We Will Unwind the Contractual Arrangements

Under the Sino-Foreign Regulation, foreign investment in higher education in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, 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 institute offering higher education must be appointed by the Chinese investors.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, 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), our Company will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over our University. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Contractual Arrangements;

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

– 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 control the voting power of such members appointed by the domestic interest holder(s) by way of the Contractual Arrangements. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of 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 Contractual Arrangements; 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 Contractual Arrangements and directly hold all equity interests in the schools. Our Company will also acquire rights to appoint all members of the board of directors of the schools.

In addition, Gench WFOE has 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 Equity Call Option in full to hold all of the interest in our PRC Affiliated Entities and unwind the contractual arrangements accordingly. See "Termination of the Contractual Arrangements" in this section of this prospectus for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Shanghai Municipal Education Commission, there are no implementing measures or specific guidance on the Qualification Requirement and therefore it will not accept an application to convert our University or the schools to be newly established or invested by us into Sino-Foreign Joint Venture Private Schools at this stage. However, the Shanghai Municipal Education Commission confirmed that it is possible that approval may be granted to an investor that is an education institution that legally awards diploma certificates in a foreign country, which gradually accumulates education experience and reputation overseas to be stipulated in the implementing measures or guidance, to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. Our PRC Legal Advisors are of the view that based on the above, although it is not possible for the Shanghai Municipal Education Commission to approve our application to establish Sino-Foreign Joint Venture Private Schools due to the lack of implementation measures or guidance at the current stage, the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. We have engaged an agent who has experience in postsecondary education to assist us in establishing Gench US, and filing applications with the BPPE regarding our establishment of the California Gench College, a higher education institution, in California, U.S. On August 13, 2018, Gench US was established in the State of California by the agent, and it became our subsidiary on October 30, 2018 to operate and manage the California Gench College. In connection with our establishment of California Gench College, we filed an application with the BPPE on November 21, 2018, and we received a response letter dated October 1, 2019 from the BPPE to request for further information. Based on the further information requested by BPPE and our understanding from our agent, assuming there is no major issue, the approval process with the BPPE is expected to complete in 2020. Our Directors currently do not foresee any major issue in this regard based on our communication with our agent. Gench US will be responsible for the daily operation and management of California Gench College. As of the Latest Practicable Date, we are in the process of designing the educational programs to be offered by California Gench College. We have also nominated

Mr. Zhou Qiaoqi, our joint company secretary and proposed president of California Gench College, and Mr. Wang Bangyong, our deputy chief executive officer of our Company and proposed institution representative of California Gench College, to oversee the administration of Gench US and California Gench College. Mr. Zhou Qiaoqi, who graduated and spent over five years in University of Southern California, is familiar with and is currently assisting in matters relating to international cooperation and investment of our Group. Mr. Wang Bangyong has more than 14 years of experience in education industry and served as the assistant to the chairman of our University and Jian Qiao Group, being responsible for the administrative and public relations management of our Group. He obtained a master's degree in public management from Fudan University and has been studying at East China Normal University in Shanghai, the PRC with a doctoral degree in education leadership and management. For more details of Mr. Zhou Qiaoqi and Mr. Wang Bangyong, see "Directors and Senior Management – Senior Management" in this prospectus. We have expended approximately US$44,725 in connection with our plan as of the Latest Practicable Date. For details of the regulatory environment in California 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, based on the consultation with Shanghai Municipal Education Commission, if the specific guidance and implementing rules regards to the Qualification Requirement are promulgated and assuming the new school to be operated by Gench US, i.e. California Gench College or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement 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 may be able to get the approval to establish a Sino-Foreign Joint Venture Private Schools by Gench US, i.e. the California Gench College or such other educational institution subject to the approval from the competent education authorities.

Furthermore, we have undertaken to the Stock Exchange that we will:

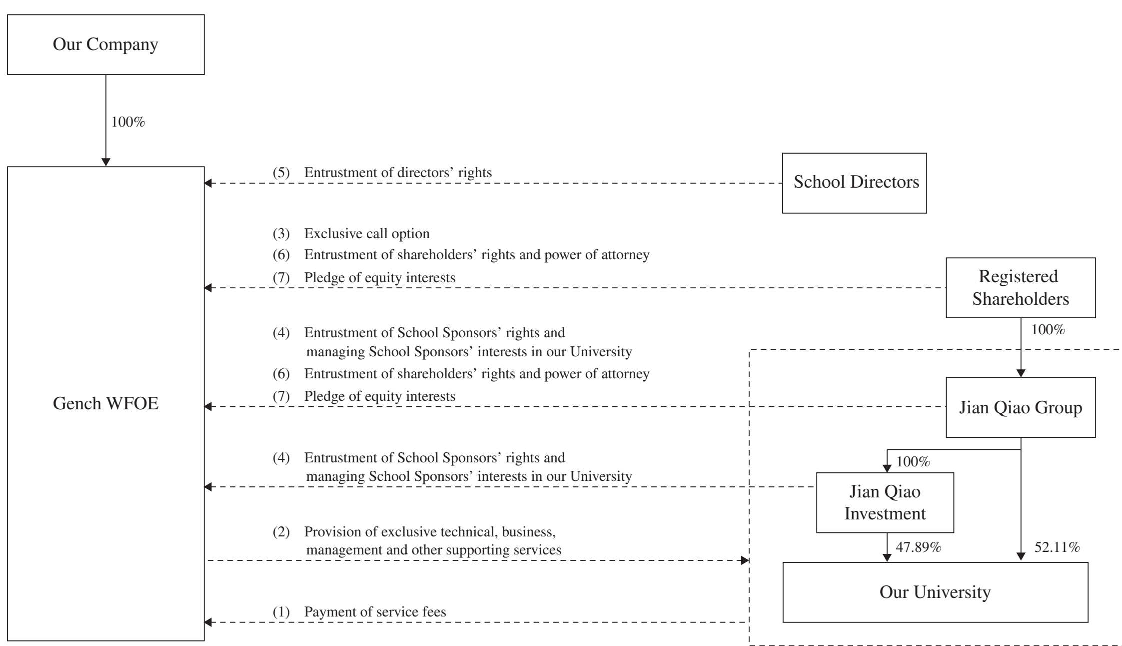
(i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

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

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

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 December 11, 2018, our wholly-owned subsidiary, Gench WFOE, entered into various agreements that constitute the Contractual Arrangements with, among others, our University and our School Sponsors, under which all economic benefits arising from the business of our University and our School Sponsors are transferred to Gench WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our University and our School Sponsors to Gench WFOE. Although the Registered Shareholders are not consolidated as part of our Group, they are parties to certain agreements which constitute the Contractual Arrangements to ensure that the shareholders' rights of our School Sponsors are actually controlled by Gench WFOE.

The following simplified diagram illustrates the flow of economic benefits from our University and/or our School Sponsors to our Group stipulated under the Contractual Arrangements:



"——" denotes direct legal and beneficial ownership in the equity interest
"- - -" denotes Contractual Arrangements

Notes:

(1) Payment of service fees. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (2) Exclusive Technical Service and Management Consultancy Agreement" in this prospectus for details.

(2) Provision of exclusive technical and management consultancy services. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (2) Exclusive Technical Service and Management Consultancy Agreement" in this prospectus for details.

(3) Exclusive call option to acquire all or part of our school sponsors' interest in our University and equity interest in our School Sponsors. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (3) Exclusive Call Option Agreement" in this prospectus for details.

(4) Entrustment of school sponsors' rights in our University by our School Sponsors. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (5) School Sponsors' Powers of Attorney" in this prospectus for details.

(5) Entrustment of directors' rights in our University by certain directors of our University including directors' powers of attorney. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (6) Directors' Powers of Attorney" in this prospectus for details.

(6) Entrustment of shareholders' right of the Registered Shareholders and Jian Qiao Group including shareholders' powers of attorney. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (7) Shareholders' Rights Entrustment Agreement" and "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (8) Shareholders' Powers of Attorney" in this prospectus for details.

(7) Pledge of equity interest by the Registered Shareholders of their equity interest in Jian Qiao Group and by Jian Qiao Group of its equity interest in Jian Qiao Investment, respectively. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (10) Equity Pledge Agreements" in this prospectus for details.

(8) 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 for further details.

The School Sponsors are special purpose vehicles established as holding companies to hold interests in our University. The School Sponsors are not engaged in any other business other than the aforesaid. Under the Contractual Arrangements, each of our PRC Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement with, among others, Gench WFOE, pursuant to which each of our PRC Affiliated Entities will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Gench WFOE to any of our PRC Affiliated Entities, the respective service fee will be paid by such PRC Affiliated Entities to Gench WFOE directly. In addition, in order to prevent the leakage of assets and values of our PRC Affiliated Entities, our PRC Affiliated Entities have undertaken that, without the prior written consent of Gench WFOE, our PRC Affiliated Entities shall not, among others, distribute any reasonable return or other interest or benefit to the Registered Shareholders. For further details, see "– Summary of the Material Terms of the Contractual Arrangements – (1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Contractual Arrangements

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

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Gench WFOE shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Affiliated Entities shall make payments accordingly.

To ensure the due performance of the Contractual Arrangements, each of our PRC Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure our PRC Affiliated Entities or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

(a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Affiliated Entities or their subsidiaries and the quality and standard of private education;

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

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

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

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

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

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

(h) to provide its business operation and financial information upon request by Gench WFOE and promptly inform Gench WFOE of the circumstances which have or may have material adverse effect on our business operation, as well as make every effort to prevent such circumstances and/or the expansion of losses.

In addition, pursuant to the Business Cooperation Agreement,

(a) Each of Registered Shareholders undertakes to Gench WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in Jian Qiao Group, he shall have made all necessary arrangement and sign all necessary documents such that his 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 Contractual Arrangements;

(b) In the event of the dissolution, liquidation, bankruptcy or reorganization of Gench WFOE, (i) the Registered Shareholders and our PRC Affiliated Entities unconditionally agree that, other persons designated by our Company shall inherit the rights and obligations of Gench WFOE under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated persons; (ii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit their direct or indirect interest in our University and equity interest in our School Sponsors in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company; or (iii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit part or all assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company.

(c) the Registered Shareholders undertake that, in the event of the dissolution or liquidation of our PRC Affiliated Entities, (i) Gench WFOE and/or its designated person shall have the right to exercise all school sponsor's right on behalf of the School Sponsors and shareholders' rights on our School Sponsors (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report) (ii) the School Sponsors and/or the shareholders of our PRC Affiliated Entities shall transfer all assets received or receivable in its capacity as School Sponsors of our University/as shareholders of each of our School Sponsors as a result of the dissolution or liquidation of our PRC Affiliated Entities to Gench WFOE or other persons designated by our Company at nil consideration, and instruct all of our PRC Affiliated Entities to transfer such assets directly to Gench WFOE or other persons designated by our Company before such dissolution or liquidation; (iii) if consideration is required for such transfer under the then applicable PRC laws, our PRC Affiliated Entities and/or the shareholders of our PRC Affiliated Entities shall compensate Gench WFOE or the person as designated by our Company the amount and guarantee that Gench WFOE or other persons as designated by our Company does not suffer any loss; and

(d) Our PRC Affiliated Entities agreed that, without the prior written consent of Gench WFOE, our PRC Affiliated Entities shall not declare or pay to the Registered Shareholders any reasonable return or other interest or benefit. In the event that the Registered Shareholders receive any reasonable return or other interest or benefit, the Registered Shareholders shall unconditionally and without compensation transfer such amount to Gench WFOE.

(e) Without the consent of Gench WFOE, the Registered Shareholders shall not increase the registered capital of Jian Qiao Group, while the Registered Shareholders shall agree and confirm that, the Registered Shareholders will pledge the corresponding increased equity interest to Gench WFOE to perform their respective obligations and guarantees in respect of any debt under these Contractual Arrangements. Each of the parties has undertaken that, each parties shall prepare all necessary documents before the aforesaid capital increase and sign the Equity Pledge Agreements on the date of completion of the capital increase registration.

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

(a) establishment of any subsidiary or entity by our PRC Affiliated Entities or establishment of any other business or subsidiary by our PRC Affiliated Entities;

(b) conduct of any activity by any of our PRC Affiliated Entities and/or their subsidiaries which are outside the ordinary course of business or change the mode of operations of our PRC Affiliated Entities or their subsidiaries;

(c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Affiliated Entities and/or their subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our PRC Affiliated Entities and/or their subsidiaries;

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Affiliated Entities or their subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB100,000;

(f) change or removal of any director, supervisor or senior management (including but not limited to manager, deputy manager, chief financial officer, chief technical officer, principal, and dean) of any of our PRC Affiliated Entities or their subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights (including but not limited to domain, trademark, intellectual property and exclusive technology) of any of our PRC Affiliated Entities or their subsidiaries to any third party other than Gench WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB100,000;

(h) sale of any equity interest or school sponsor rights in any of our PRC Affiliated Entities or its subsidiaries to any third party other than Gench WFOE or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of our PRC Affiliated Entities or its subsidiaries;

(i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of our PRC Affiliated Entities or its subsidiaries to third parties other than to Gench WFOE or its designated party;

(j) altering, amending or revoking any permits of any of our PRC Affiliated Entities or its subsidiaries;

(k) amending the articles of association or scope of business of any of our PRC Affiliated Entities or its subsidiaries;

(l) change of any normal business procedures or amendment of any internal procedures and system of any of our PRC Affiliated Entities or its subsidiaries;

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

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

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our PRC Affiliated Entities or its subsidiaries or its ability to make any payment to Gench WFOE;

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

(q) transfer of his/her/its rights and obligations under the Contractual Arrangements to any third party other than Gench WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Contractual Arrangements with any third party by the Registered Shareholders, any of our PRC Affiliated Entities or its subsidiaries.

Furthermore, each of Registered Shareholders undertakes to Gench WFOE that, unless with the prior written consent of Gench WFOE, the Registered Shareholders (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 our PRC Affiliated Entities and its subsidiaries ("Competing Business"), (ii) use information obtained from any of our PRC Affiliated Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Gench WFOE and/or other entities as designated by our Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements. If Gench WFOE does not exercise such option, the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Gench WFOE agreed to provide exclusive technical services to our PRC Affiliated Entities, including but not limited to, (a) design, development, update and maintenance of educational software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Affiliated Entities; (d) provision of other technical support necessary for the education activities of our PRC Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Affiliated Entities.

Furthermore, Gench WFOE agreed to provide exclusive management consultancy services to our PRC Affiliated Entities, 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 administrative staff management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of online and offline marketing network; and (m) providing other management technical services reasonably requested by our PRC Affiliated Entities.

Gench WFOE had, as of the Latest Practicable Date, 20 personnel working in various departments of Gench WFOE including, among others, administrative department, financial department, technical service department and logistic service department. We will transfer the relevant staff to continue providing such services to our University and School Sponsors from time to time pursuant to the Exclusive Technical Service and Management Consultancy Agreement.

In consideration of the technical and management consultancy services provided by Gench WFOE, each of our PRC Affiliated Entities agreed to pay Gench WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)). The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Gench WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Affiliated Entities do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Gench WFOE 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 Gench WFOE to our PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Gench WFOE and other parties. To the extent prescribed under the PRC laws and regulations, the intellectual properties, which are restricted or prohibited from owning by Gench WFOE, shall be owned by our PRC Affiliated Entities until permissible under the PRC laws and regulations. Our PRC Affiliated Entities shall transfer the aforesaid intellectual properties at the lowest consideration permissible under the PRC laws and regulations to Gench WFOE in addition to assist with the registration procedures.

Without the written consent of Gench WFOE, our PRC Affiliated Entities shall not make (i) any disposal of material assets and (ii) changes to the current ownership structure of our PRC Affiliated Entities. Our PRC Affiliated Entities shall not enter into transactions, which may materially affect their assets, responsibilities, business operation, ownership structures, equity interest held by third parties and other legal rights, outside their ordinary course of business without the prior disclosure and written consent of Gench WFOE.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Gench WFOE or its designated purchaser the right to purchase all or part of the school sponsor's direct or indirect interest of our School Sponsors in our University and direct or indirect equity interest in our School Sponsors ("Equity Call Option"). The purchase price payable by Gench WFOE in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Gench WFOE or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in our University and/or equity interest in our School Sponsors as it decides at any time.

In the event that PRC laws and regulations allow Gench WFOE or other foreign-owned entities designated by our Company to directly hold all or part of the school sponsor's interest in our University equity interest in our School Sponsors and operate private education business in the PRC, Gench WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Gench WFOE or other foreign-owned entities designated by our Company under PRC laws and regulations.

The Registered Shareholders have further undertaken to Gench WFOE that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its school sponsors' direct and/or indirect interest in our University and/or equity interest in our School Sponsors without the prior written consent of Gench WFOE;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor of our University and/or capital investment in our School Sponsors without the prior written consent of Gench WFOE;

(c) shall not agree to or procure any of our PRC Affiliated Entities to divide into or merge with other entities without the prior written consent of Gench WFOE;

(d) shall not dispose of or procure the management of our PRC Affiliated Entities to dispose of any of the assets of our PRC Affiliated Entities without the prior written consent of Gench WFOE, 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 our PRC Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB1,000,000, the Contractual Arrangements and any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of Gench WFOE;

(f) shall not procure any of our PRC Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Affiliated Entities without the prior written consent of Gench WFOE, save for transactions which are in the ordinary course of business of our PRC Affiliated Entities with the amount involved not more than RMB1,000,000, or transactions which have been disclosed to Gench WFOE and approved by Gench WFOE;

(g) shall not agree to or procure any of our PRC Affiliated Entities to declare or in substance distribute any distributable reasonable return or agree to such distribution without the prior written consent of Gench WFOE;

(h) shall not agree to or procure any of our PRC Affiliated Entities to amend its articles of association without the prior written consent of Gench WFOE;

(i) shall ensure that any of our PRC Affiliated Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Affiliated Entities exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of our PRC Affiliated Entities, or any obligations which may result in change of the structure of the school sponsor's interest in our University and/or the equity interest in our School Sponsors) outside its ordinary course of business without the prior written consent of Gench WFOE;

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

(k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to Gench WFOE or its designated purchaser and without prejudice to our School Sponsors' and Directors' Rights Entrustment Agreement and the Shareholders' Rights Entrustment, execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest in our University and its equity interest in our School Sponsors;

(l) shall sign all documents and take all necessary actions to facilitate transfer of its school sponsor's interest in our University and/or its equity interest in our School Sponsors to Gench WFOE or its designated purchaser;

(m) shall take all such actions to facilitate our PRC Affiliated Entities in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by Jian Qiao Group on behalf of the interest owner of our PRC Affiliated Entities;

(n) shall, in its capacity as a school sponsor of our University and/or shareholders of our School Sponsors and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of our PRC Affiliated Entities to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director or council member who fails to do so; and

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

(4) School Sponsors' and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of the School Sponsors have irrevocably authorized and entrusted Gench WFOE to exercise all its rights as school sponsor of our University to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of our University; (b) the right to appoint and/or elect supervisors of our University; (c) the right to understand the operation and financial situation of our University; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of our University; (e) the right to acquire residue assets upon liquidation of our University in accordance with the laws and the articles of association of our University; (f) the right to transfer school sponsors' interest in accordance with the laws; (g) the right to choose to register our University as a for-profit or non-profit school pursuant to PRC laws and regulations; (h) the right to exercise the voting rights of our School Sponsors upon bankruptcy, liquidation, dissolution or termination of our University; (i) the right to handle the legal procedures of registration, approval, licensing and filing of our University, as the case maybe at the education department, the department of civil affairs or other government regulatory departments, and to submit any documents submitted by our School Sponsors to relevant government regulatory departments; and (j) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of our University as amended from time to time.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, eight directors (representing more than two-thirds of the board being the quorum required for approving material decisions) of our University (the "Appointees"), being all of the four directors appointed by our School Sponsors and four other directors, namely, Mr. Zhou Xingzeng (周星增), Mr. Zheng Xiangzhan (鄭祥展), Mr. Shi Yinjie (施銀節), Mr. Chen Zhiyong (陳智勇), Mr. Huang Qingyun (黃清雲) and Mr. Zhang Jiayu (張家鈺), Ms. Jiang Weiyi (蔣威宜), Mr. Zhou Jianer (周健兒), have irrevocably authorized and entrusted Gench WFOE to exercise all their rights as directors of our University 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 representatives of the Appointees; (b) the right to exercise voting rights of the Appointees in respect of all matters discussed and resolved at the board meeting of our University; (c) the right to propose to convene interim board meetings of our University; (d) the right to sign all board minutes, board resolutions and other legal documents which the

Appointees have authority to sign in their capacities as directors of our University; (e) the right to instruct the legal representative and financial and business responsible persons of our University to act in accordance with the instruction of Gench WFOE; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of our University; (g) the right to handle the legal procedures of registration, approval and licensing of our University at the education department, the department of civil affairs or other government regulatory departments; (h) the right to exercise the voting rights of directors of our University upon bankruptcy, liquidation, dissolution or termination of our University; and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our University as amended from time to time.

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

(5) School Sponsors' Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by School Sponsors in favor of Gench WFOE, our School Sponsors authorized and appointed Gench WFOE, the sole director of which is Zhou Qiaoqi (周喬琪) (none of whom is a director of any of our PRC Affiliated Entities and therefore does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of our University. For details of the rights granted, see "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (4) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

Gench WFOE shall have the right to further delegate the rights so delegated to the sole director of Gench WFOE or other designated person. The School Sponsors 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 the School Sponsors' subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsors' Powers of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

(6) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Gench WFOE, each of the Appointees authorized and appointed Gench WFOE, the sole director of which is Zhou Qiaoqi (周喬琪) (none of whom is a director of any of our PRC Affiliated Entities 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 our University. For details of the rights granted, see "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (4) School Sponsors' and Directors' Rights Entrustment Agreement" of this prospectus.

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

(7) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders and Jian Qiao Group has irrevocably authorized and entrusted Gench WFOE to exercise all of his/their respective rights as shareholders of our School Sponsors to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of our School Sponsors, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of our School Sponsors, as the case may be; (c) the right to appoint directors or legal representative of the our School Sponsors, as the case may be; (d) the right to propose to general meetings of our School Sponsors, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders and Jian Qiao Group have authority to sign in his or their capacity as shareholders of our School Sponsors, as the case may be; (f) the right to instruct the directors and legal representative of our School Sponsors, as the case may be to act in accordance with the instruction of Gench WFOE; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of our School Sponsors, as the case may be; (h) the right to handle the legal procedures of registration, approval, licensing and filing of the our School Sponsors, as the case may be at the education department, the department of civil affairs or other government regulatory departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of our School Sponsors as amended from time to time.

In addition, each of the Registered Shareholders and Jian Qiao Group has irrevocably agreed that (i) Gench WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Gench WFOE or its designated person, without prior notice to or approval by the Registered Shareholders and Jian Qiao Group; and (ii) any person as successor of civil rights of Gench WFOE or liquidator by reason of subdivision, merger, liquidation of Gench WFOE or other circumstances shall have authority to replace Gench WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(8) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders and Jian Qiao Group in favor of Gench WFOE, each of the Registered Shareholders and Jian Qiao Group authorized and appointed Gench WFOE, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of the our School Sponsors. For details of the rights granted, see "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (7) Shareholders' Rights Entrustment Agreement" in this prospectus.

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

(9) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of each of the Registered Shareholders has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by the respective Registered Shareholders, Gench WFOE and our PRC Affiliated Entities, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in our School Sponsors and/or school sponsors' interest in our University, pledge or transfer the direct or indirect equity interest in our School Sponsors and/or school sponsors' interest in our University, or the disposal of the direct or indirect equity interest in our School Sponsors and/or school sponsors' interest in our University in any other forms;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities;

(c) the spouse authorizes the respective Registered Shareholder or 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 or indirect equity interest in our School Sponsors and/or school sponsors' interest in our University in order to safeguard the interest of Gench WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in our School Sponsors and/or school sponsors' interest in our University;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Gench WFOE and the spouse of the respective Registered Shareholder in writing.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(10) Equity Pledge Agreements

Pursuant to the Equity Pledge Agreements, each of the Registered Shareholders and Jian Qiao Group unconditionally and irrevocably pledged and granted first priority security interests over all of his or its equity interest in Jian Qiao Group and Jian Qiao Investment, accordingly, together with all related rights thereto to Gench WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Gench WFOE as a result of any event of default on the part of the Registered Shareholders and our PRC Affiliated Entities and all expenses incurred by Gench WFOE as a result of enforcement of the obligations of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreements, without the prior written consent of Gench WFOE, the Registered Shareholders and Jian Qiao 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 Gench WFOE. The Registered Shareholders and Jian Qiao Group also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

Pursuant to the Equity Pledge Agreements, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB1,050,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

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

(a) any of the Registered Shareholders and our PRC Affiliated Entities commits any breach of any obligations under the Contractual Arrangements;

(b) any representations or warranties or information provided by any of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements is proved incorrect or misleading; or

(c) any provision in the Contractual Arrangements 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, Gench WFOE shall have the right to enforce the Equity Pledge Agreements by written notice to the Registered Shareholders and Jian Qiao Group in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, Gench WFOE may request the Registered Shareholders and Jian Qiao Group to transfer all or part of his or its equity interest in our School Sponsors to any entity or individual designated by Gench WFOE at the lowest consideration permissible under the PRC laws and regulations, while the Registered Shareholders and Jian Qiao Group irrevocably undertake that in the event that the consideration paid by Gench WFOE or its designated purchaser for the transfer of all or part of the equity interest in our School Sponsors exceeds RMB0, shall pay such excess amount to Gench WFOE or its designated entity;

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

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

The pledges under the Equity Pledge Agreements were registered with the relevant Administration of Industry and Commerce of the PRC on January 3, 2019 and became effective on the same date of the registration of the pledge.

Under the Contractual Arrangements, there is no equity pledge arrangement between Gench WFOE and our School Sponsors over the school sponsor's interest in our University held by our School Sponsors. As advised by our PRC Legal Advisors, if we were to make an equity pledge arrangement with our School Sponsors where our School Sponsors pledge their school sponsors' interest in our University in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsors' interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to our School Sponsors' interests in our University cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, we have implemented various measures which shall remain in place before the Contractual Arrangements being unwound, with the aim of further enhancing our control over our PRC Affiliated Entities, in particular:

(a) as disclosed above, pursuant to the Business Cooperation Agreement, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without prior written consent of Gench WFOE or its designated party, he/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (1) Business Cooperation Agreement" in this prospectus for details.

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Gench WFOE that, among others, it shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its school sponsors' interest in any of our University and/or equity interest in our School Sponsors without prior written consent of Gench WFOE. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (3) Exclusive Call Option Agreement" in this prospectus for details.

(c) our Company has taken measures to ensure that the company seals of our PRC Affiliated Entities are properly secured, are within the full control of our Company and cannot be used by our PRC Affiliated Entities or the Registered Shareholders without our permission. Such measures include arranging for the company seals of our PRC Affiliated Entities to be kept in the safe custody of the finance department of Gench WFOE and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Gench WFOE.

DISPUTE RESOLUTION

Each of the Contractual Arrangements provides that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Contractual Arrangements 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 school sponsors interest in our University and the equity interest in our School Sponsors and property interest and other assets of our PRC Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Affiliated Entities; and

(d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company, our School Sponsors and our University are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisors that:

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or interest in our University or equity interest in our School Sponsors in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Affiliated Entities, injunctive relief or winding-up of our PRC Affiliated Entities 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 our PRC Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over our PRC Affiliated Entities, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that our PRC Affiliated Entities or any of the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our University and/or our School Sponsors and conduct our business could be materially and adversely affected. See "Risk Factors – Risks Relating to our Contractual Arrangements" in this prospectus for details.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS

As disclosed above, pursuant to the Spouse Undertakings, each of the spouse of the relevant Registered Shareholders has irrevocably undertaken that, among others, the spouse authorizes the relevant Registered Shareholders 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 direct and indirect equity interest of the relevant Registered Shareholders in our School Sponsors in order to safeguard the interest of Gench WFOE under the Contractual Arrangements 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. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (9) Spouse Undertakings" in this prospectus for details.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, Mr. Zhou undertake to Gench WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in Jian Qiao Group, he 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 Contractual Arrangements.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR UNIVERSITY AND/OR SCHOOL SPONSORS

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of our University and/or our School Sponsors, the Registered Shareholders undertake that, among others, Gench WFOE and/or its designee shall have the right to exercise all school sponsor's rights on behalf of School Sponsors and/or to exercise all shareholders' rights on behalf of the Registered Shareholders and Jian Qiao Group and shall instruct all of our University and/or School Sponsors to transfer assets received under PRC laws directly to Gench WFOE and/or our designee. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (1) Business Cooperation Agreement" in this prospectus for details.

Furthermore, Gench WFOE has been irrevocably authorized and entrusted to exercise the rights of our School Sponsors as school sponsor of our University and the rights of the Appointees as directors of our University and rights of Registered Shareholders as shareholders of Jian Qiao Group. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of Material Terms of the Contractual Arrangements – (4) School Sponsors' and Directors' Rights Entrustment Agreement" and "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of Material Terms of the Contractual Arrangements – (7) Shareholders' Rights Entrustment Agreement" in this prospectus for details.

LOSS SHARING

In the event that our University and/or our School Sponsors incur any loss or encounters any operational crisis, Gench WFOE may, but is not obliged to, provide financial support to our University and/or our School Sponsors.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, Gench WFOE, is obligated to share the losses of our University and/or our School Sponsors or provide financial support to our University and/or our School Sponsors. Further, our University and/or our School Sponsors 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 Gench WFOE, is not expressly required to share the losses of our University and/or our School Sponsors or provide financial support to our University and/or our School Sponsors. Despite the foregoing, given that our University and our School Sponsors' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our University and/or our School Sponsors suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements as disclosed in the respective sections headed "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements

– (1) Business Cooperation Agreement" and "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (3) Exclusive Call Option Agreement" above, the potential adverse effect on Gench WFOE and our Company in the event of any loss suffered from our University and/or our School Sponsor can be limited to a certain extent.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

Each of the Contractual Arrangements provides that: (a) each of the Contractual Arrangements shall be terminated upon the completion of the purchase of all the equity interest and school sponsors' interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsors and our University by Gench WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreements which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Gench WFOE shall have the right to terminate the Contractual Arrangements by serving 30-day prior notice; and (c) each of our PRC Affiliated Entities and the Registered Shareholders shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Gench WFOE or us to directly hold all or part of the School Sponsors' interest in our University and/or all as part of the equity interest in our School Sponsors and operate private education business in the PRC, Gench WFOE shall exercise the Equity Call Option as soon as practicable and Gench WFOE or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsors' interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsors and our University by Gench WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Contractual Arrangements shall be automatically terminated. Our Registered Shareholders and our School Sponsors have undertaken to compensate to Gench WFOE or its respective designated entity any consideration they received in the event that Gench WFOE or its respective designated purchaser acquire all or part of the equity interest in our School Sponsors and/or school sponsor's interest in our University.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Gench WFOE that, unless with the prior written consent of Gench WFOE, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Gench WFOE is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the entity engaging in the Competing Business to cease operation. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (1) Business Cooperation Agreement" in this prospectus for details. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between School Sponsors and the Registered Shareholders on the one hand, and our Company on the other hand.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that:

(a) each of our University and our School Sponsors was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the Registered Shareholders is a legal person with full civil and legal capacity. Each of our PRC Affiliated Entities has also obtained all material approvals and finished all material registration for conducting their businesses 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 Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of our PRC Affiliated Entities, injunctive relief and/or winding up of our PRC Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China;

(c) the Contractual Arrangements do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(d) each of the Contractual Arrangements is not in violation of provisions of the articles of association of our PRC Affiliated Entities and Gench WFOE;

(e) each of the Contractual Arrangements is enforceable under PRC laws and regulations, entering and the performance of the Contractual Arrangements to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interest in our School Sponsors in favor of Gench WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (ii) the transfer of the school sponsor's interests in our University and/or equity interest in our School Sponsors contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in our School Sponsors contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable laws and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and

(f) the Contractual Arrangements do not violate the M&A Rules.

For details in relation to the risks involved in the Contractual Arrangements, see "Risk Factors – Risks Relating to Our Contractual Arrangements" in this prospectus.

Directors' Views on the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our PRC Affiliated Entities which engage or will engage in the operation of higher education, where the PRC laws and regulations currently restrict operation of higher education to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements so that the financial results of the operation of our PRC Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisors, the Directors are of the view that the Contractual Arrangements 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 Contractual Arrangements 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 Contractual Arrangements are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this prospectus.

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC AFFILIATED ENTITIES

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our PRC Affiliated Entities. The basis of consolidating the results of our PRC Affiliated Entities is disclosed in note 2.2 of the Accountants' Report. Our Directors consider that our Company can consolidate the financial results of our PRC Affiliated Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and will take effect on January 1, 2020. The Foreign Investment Law will replace the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

Impact and Potential Consequences of the Foreign Investment Law on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, please see "Risk Factors – Risks relating to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations" in this prospectus.

The Potential Impact to Our Company in the Worst Scenario pursuant to the Foreign Investment Law that the Contractual Arrangements Are Treated as a Foreign Investment

If the operation of higher education institutions is no longer in the Negative List and our Group can legally operate the education business under PRC Laws, Gench WFOE will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the school sponsor's interest of our University and/or the equity interest in our School Sponsors and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of higher education is in the Negative List, the Contractual Arrangements may be viewed as restricted foreign investment. Although contractual arrangements are not specified as foreign investment under the Foreign Investment Law, the Contractual Arrangements may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List. As a result, our Group would not be able to operate our PRC Affiliated Entities through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our PRC Affiliated Entities. As a result, the financial results of our PRC Affiliated Entities 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 and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Foreign Investment Law as stipulated under the section headed "Contractual Arrangements – Background of the Contractual Arrangements" and the latest development of Foreign Investment Law as disclosed under the section headed "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Gench WFOE and our PRC Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that our executive Director, Mr. Zhou is also the Registered Shareholder, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid 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 over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We operate the largest private university in Shanghai, which is also a leading private university in the Yangtze River Delta, as measured by total full-time student enrollment in the 2018/2019 school year, according to the Frost & Sullivan Report. Following the establishment of the predecessor of our University in 2000 and its transformation into Shanghai Jian Qiao University in 2005, we have steadily grown our reputation and student body. The number of full-time students enrolled in our University increased from 14,299 in the 2015/2016 school year to 17,808 in the 2018/2019 school year, representing a CAGR of 7.6%, making our University the fastest growing university in terms of full-time student enrollment among the top five largest private higher education institutions in the Yangtze River Delta from 2015 to 2018, according to the Frost & Sullivan Report. As of September 30, 2019, the number of full-time students enrolled in our University was 19,857.

We believe that we have strong potential to grow our business due to the strategic location of our University in Shanghai. As the financial center of China, Shanghai provides the most job opportunities to graduating students and has the highest per capita expenditure on education as compared to all other cities in China, according to the Frost & Sullivan Report. We believe the established position of our University as the largest private university in Shanghai leaves us well-positioned to benefit from growing demand for private higher education. To fully utilize the geographic advantages Shanghai provides and capture growth opportunities, we plan to continue increasing our school capacity through construction projects on our current campus.

Our University provides high-quality education to our students with a focus on applied sciences. Our comprehensive curriculums, which encompass a broad range of practical major offerings, are designed to equip our students with practical skills and enable them to meet the demands of the rapidly evolving job market. We develop our courses and major offerings based on extensive market research we conduct to determine the preferences of employers. We collaborate closely with enterprise partners and have established school-industry collaboration programs, including two industrial and education integrated innovation bases, to help our students acquire readily applicable skills and find desirable employment. As a result, graduating students from our University have achieved extremely high initial employment rates, which were approximately 99.3%, 99.8%, 99.0%, and 99.0% as of August 25, 2016, 2017, 2018 and 2019, respectively. The initial employment rates of our graduating students were significantly higher than the overall average for higher education institutions in China, according to the Frost & Sullivan Report. We believe such high initial employment rates attest to the effectiveness of our educational approach, which we believe will continue to enhance our reputation, raise our profile and attract talented students.

We experienced steady growth in our revenue, gross profit and full-time student enrollment during the Track Record Period. Our revenue for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019 was approximately RMB291.7 million, RMB357.0 million, RMB424.6 million, RMB216.5 million, and RMB254.2 million, respectively. Our gross profit for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019 was approximately RMB124.9 million, RMB163.4 million, RMB222.2 million, RMB116.2 million, and RMB147.3 million, respectively. Our profit and total comprehensive income for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019 was approximately RMB12.9 million, RMB46.0 million, RMB108.6 million, RMB50.1 million, and RMB81.0 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

We operate the largest private university in Shanghai, which is also a leading private university in the Yangtze River Delta, with a history of successful growth

We operate the largest private university in Shanghai, China. Following the establishment of the predecessor of our University in 2000 and its transformation into Shanghai Jian Qiao University in 2005, we have been able to steadily grow our reputation and student body, making our University the leading private university in Shanghai and one of the leading private universities in the Yangtze River Delta in terms of full-time student enrollment. According to the Frost & Sullivan Report, our University was the largest private university in Shanghai in the 2018/2019 school year among private universities in Shanghai, and in a leading position in the Yangtze River Delta, in terms of total full-time student enrollment. According to CUAA.net (中國校友會網), a third party research agency which has been conducting research and evaluating universities in China since 1989 and has published the CUAA.net Chinese university ranking every year since 2003, our University ranked first among all private universities in Shanghai for each of 2016, 2017 and 2018 and first among all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for 2018 in terms of overall comprehensive strength, as measured across a number of different criteria, including student enrollment, post-graduation employment rates, school reputation, faculty scholarships, and school facilities and infrastructure, among others.

Our success has been widely recognized in the market, as illustrated by the numerous significant awards our University has received. Our University was awarded the "Top 10 Most Influential Private University (十大最具社會影響力民辦大學)" by Xinhua.net (新華網) in 2011, and "Top 10 Reputable Private Higher University (十大品牌民辦高校)" by Sina.com (新浪網) in 2012. In 2016, our University was the only university located in Shanghai to be named by the MOE as one of the experimental schools (試點學校) for the "Internet Plus Made-in-China 2025 Enterprise and Education Cooperation Improvement Program ("互聯網+中國製造2025"產教融合促進計劃)". In 2016, our University was recognized as one of 16 "National Innovative Entrepreneurship Education Model Schools (全國民辦高校創新創業教育示範學校綜合獎)" by the Higher Education Professional Committee of China's Non-Government Education Association (中國民辦教育協會高等教育專業委員會). In 2015 and 2017, our University was recognized by the Central Commission on Building Cultural and Ethical Civilization (中央精神文明建設指導委員會) as a "National Civilized Unit (全國文明單位)." Our University is the first private university in China to have received such recognition. In 2015, our University was selected by the MOE as one of 24 universities nationwide to participate in the inaugural "MOE-Zhongxing ICT Industrial and Educational integrated Innovation Base Program (教育部 – 中興通訊ICT產教融合創新基地項目)".

Our leading position in the private higher education sector in Shanghai and solid reputation have allowed us to continue to grow our University. The full-time student enrollment of our University grew from 14,299 in the 2015/2016 school year to 17,808 in the 2018/2019 school year, representing a CAGR of 7.6%, which made our University the fastest growing university in terms of full-time student enrollment among the top five largest private higher education institutions in the Yangtze River Delta from 2015 to 2018, according to the Frost & Sullivan Report. We believe such a high growth rate was attributable both to our strong position and reputation in Shanghai as well as to increases in our school capacity as a result of the continuous development of our current campus since 2015 in which year we first moved in. As of September 30, 2019, the full-time student enrollment of our University further reached 19,857. We believe these same factors will allow us to continue to grow and succeed in a highly competitive industry going forward.

We are well-positioned to benefit from expected increasing demand for private higher education in Shanghai

We believe the established position of our University as one of the largest private Universities in Shanghai and the entire Yangtze River Delta positions us well to benefit from the expected growing demand for private higher education. In particular, our strategic location in Shanghai, one of the direct-controlled municipalities in China and most populous cities in the world, provides us with significant growth opportunities. Also, as the preeminent commercial and financial center in China, Shanghai provides graduates with numerous job opportunities at good salary levels, attracting students from across China to come and study in the hope of potentially being able to find employment in Shanghai. According to the Frost & Sullivan Report, the average per capita annual disposable income in Shanghai in 2018 was RMB64,183 compared to the national average per capita annual disposable income of China of RMB28,228 in 2018 and the average initial employment rate for higher education institutions in Shanghai was 96.9% in 2017 compared to the average initial employment rate for higher education institutions in China of 78.4% in 2017. All of this makes Shanghai a particularly attractive location for students to attend university. Universities based in Shanghai generally have higher admission score requirements on the National Higher Education Entrance Examination compared to similar universities in other areas, primarily due to the increasing demand from students from areas other than Shanghai who want to study in Shanghai. As a result, we are able to attract students from all over China. In the 2018/2019 school year, approximately 51.8% of our newly admitted full-time students came from areas other than Shanghai. Based on a survey carried out by our University, approximately 79.4% of our students who graduated in 2017 stayed in Shanghai for employment following graduation. The higher average income of residents of Shanghai not only plays an important role in attracting students to come to Shanghai to study, it also allows us to set our tuition and boarding fees at higher levels as compared to universities in other areas. For the 2019/2020 school year, the overall yield (報到率) of our University, defined as the number of students who register with our University divided by the number of students who receive our offer letters, was 92.9% for our undergraduate program and junior college program combined. We believe that the achievement of such a high yield was partially attributable to our strategic location and our efforts to improve our overall yield. Furthermore, the abundant career opportunities and higher salary levels in Shanghai also helps to ensure rich teaching and research resources. We believe the unique geographic advantages of Shanghai will continue to play an important role in our student and teacher recruitment effort, as well as the development of our school-industry collaboration programs and international programs.

The private education industry in Shanghai has expanded rapidly in recent years. The total revenue generated from the private higher education industry in Shanghai grew significantly from 2014 to 2018, increasing from RMB2.0 billion in 2014 to RMB3.1 billion in 2018, representing a CAGR of 11.2%, and is expected to continue to grow to reach RMB4.7 billion in 2023, representing a CAGR of 8.8%, according to the Frost & Sullivan Report. From 2014 to 2023, the total number of student enrollment in private higher education increased from 92.2 thousand to 113.5 thousand, representing a CAGR of 5.3%, and is expected to reach 124.7 thousand in 2023, representing a CAGR of 1.9%, according to the Frost & Sullivan Report. This provides us with a solid foundation of local prospective students in addition to an increasing number of students from areas other than Shanghai. In order to increase our school capacity and improve university facilities and infrastructure, in September 2015, we moved to our new campus with an aggregate site area of approximately 532,587 sq.m. in the Lingang New City area (臨港新城) in Shanghai, better positioning us to seize the opportunities Shanghai provides. Two additional newly-constructed dormitory buildings enable us to house approximately 4,000 additional students beginning in the 2019/2020 school year.

We have extremely high initial employment rates as a result of our focus on providing students with market-oriented course offerings

We carefully select the course majors we offer to cater for the demands of the employment market in Shanghai. The success of this practical focus is reflected in the exceptionally high initial employment rates enjoyed by our students. Approximately 99.3% and 99.8% of the students who graduated from our University in 2016 and 2017, respectively, were either employed or pursuing further studies by August 25 of the year in which they graduated. This is significantly higher than the overall higher education initial employment rates in China of 77.9% and 78.4%, and higher than the average rates in Shanghai of 95.9% and 96.9%, respectively for the same years according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, the average monthly income of our students in 2016 and 2017 for the first six months after their graduation was RMB5,111 and RMB5,411, respectively, as compared to the first six-month post-graduation average income rates in Shanghai for the same years which were RMB4,990 and RMB5,386, respectively. Our achievement in graduate employment has been well-recognized by students and administrators. For example, in 2013, our University was recognized by Shanghai Municipal People's Government as an "Advanced Institution in Promoting Employment of Shanghai Municipality (上海市促進就業先進集體)."

We believe that our success in helping graduating students obtain meaningful employment is largely attributable to our educational focus on preparing our students to compete and succeed in the workforce. We have dedicated our resources to developing comprehensive and diversified curriculums encompassing a broad range of practical majors and programs. We focus on providing education in practical subject areas, particularly the applied sciences, using quality-oriented education plans to equip our students with practical and readily applicable skills that meet the demands of a changing job market. Our selection of courses and majors is based on internal research into what jobs and skills are in demand, in particular what is in demand in the Shanghai job market, and we design our curriculums to provide our students with the skillsets needed to best meet market demand. For example, we offer courses in airline services and mechatronics based on the development of the Shanghai local market. Shanghai has become the research and development center for domestic-made commercial airliners, and the rapid development of the Shanghai Free-Trade Zone has enhanced the importance of Shanghai's role as the transportation hub in east China. We believe there will be a growing demand for aircraft engineers and airline service staff in Shanghai going forward. Also, to bridge the gap between the increasing demand in the jewelry manufacturing and design market and a shortage of university-educated relevant professionals, we established new majors related to gemology and jewelry design. We believe as a consumption center for gems and jewelry, Shanghai provides graduates of our college of gemology with abundant employment opportunities. The initial employment rate for students graduating from our college of gemology was 100% in each of 2018 and 2019.

Our numerous school-industry collaboration programs reinforce our practical focus. Our reputation as an established private provider of applied science education in Shanghai has helped us to attract a substantial number of industry partners for a variety of collaboration programs. These collaboration programs provide our students with real world practical experience and expose them to the latest developments in their chosen fields. As of September 30, 2019, we had established such collaborative relationships with approximately 111 corporate institutions in the PRC, including Beijing Huatec Information Technology Co, Ltd. (北京華晟經世信息技術有限公司), among others. We cooperate with our industry partners to formulate and design applicable curriculums and practical training programs in order to bring first-hand practical knowledge to our students. Through our school-industry collaboration programs, we have achieved successful results in developing applied majors and courses and establishing laboratories, practical training bases and scientific research platforms. For example, we have two MOE-approved industrial and educational integrated innovation bases (產教融合創新基地) on campus, at which highly-qualified professional and technical personnel from the participating enterprise partners, namely, Zhongxing Telecommunication Equipment Corporation (中興通訊股份有限公司) and Beijing Huatec Information Technology Co., Ltd., are responsible for providing our students with high level practical training using advanced equipment. In addition, we have entered into cooperative arrangements with certain industry partners with substantial employment needs, such as Belle Footwear (Shanghai) Co., Ltd. (百麗鞋業(上海)有限公司), among others, under which we offer courses which we have co-designed with such industry partners to cultivate specific skills needed in the relevant industry. The industry partners provide subsidies to students with outstanding academic performance to enroll in such classes, and provide internship opportunities for students to work with them onsite. We believe these types of collaborative programs are particularly helpful in supplementing more traditional classroom learning and providing our students with additional real workplace training and opportunities for post-graduation employment in many cases.

We have developed cooperative relationships with international institutions

During the Track Record Period, we have entered into various cooperative programs with partner institutions overseas to create full-degree and exchange opportunities for our students. The international institutions with which we have entered into cooperative arrangement include the Kyoto College of Graduate Studies for Informatics in Japan, Mercy College in New York, University of Applied Languages, SDI Munich in Germany, and Vaughn College of Aeronautics and Technology in New York, among others. Such programs provide our students opportunities to study abroad and receive degrees offered by prestigious international institutions in addition to degrees granted by our University. For example, under the "3+1" program into which we have entered with Vaughn College of Aeronautics and Technology, students completing three school years/ninety-three credits at our university are eligible to apply for admission to a special program at Vaughn College of Aeronautics and Technology, upon the successful completion of which they will receive a bachelor of science degree from that institution in addition to a bachelor of science degree granted by our University. As of September 30, 2019, there were a total of 236 students enrolled in such program.

In addition, we have entered into cooperative arrangements with a number of partner institutions overseas, such as Shih Hsin University (台灣世新大學) in Taiwan, regarding exchange programs which allow our students to visit and study at these partner institutions. Credits gained by our students from the exchange programs are recognized by our University. We believe these programs offer unique opportunities to our students to increase their experience, challenge and broaden their world view and grow as individuals as well as strengthen the reputation, and enhance the overall quality and attractiveness of our University.

We also provide opportunities for international students to come study at our University. In 2014, we established a college of international design in which international students receive instruction in English from high-quality professors and lecturers from around the world. As of September 30, 2019, we had a total of 17 international students from five different countries enrolled in programs of our international design college.

We provide quality-oriented education aimed at promoting all-round education of our students

As our education goal is to prepare our students to succeed, we focus on supporting their overall development and growth, and not just training them to be effective test takers. We employ methods of evaluation that further this goal. While traditional final examinations do form an important component of students' grades, assessment is also carried out throughout the semester in a variety of forms, including presentations, curriculum papers, project designs and case analyses. Our teachers assess students' performance on a number of criteria, not simply based on test scores, and seek to cultivate practical skills through a combination of theory and practice, paying particular attention to helping students to develop the interpersonal skills and problem-solving skills which they will need in their future careers. We believe this focus on providing all-round, quality-oriented education better prepares our students to succeed in the future and caters to the growing demand from students and parents for a more balanced approach to education.

As part of our goal to achieve well-rounded student development, we encourage and even require students to participate in activities outside of the classroom. All of our curriculums include a number of credits that can only be obtained through participation in extracurricular activities. We provide abundant sports facilities and programs to students, which our students have taken full advantage of. We also place great emphasis on cultivating our students' sense of social responsibility. We encourage our students to participate in volunteering events and provide opportunities on a regular basis for our students to do so. Our students routinely participate in community service activities such as visiting senior citizens in nursing homes and participate in the "three support and one assistance" program (三支一扶), which provides support for agricultural, medical, and education development as well as poverty alleviation to underdeveloped areas. We believe these volunteering activities provide our students with opportunities to give back to society and at the same time, enhance our students' understanding of social responsibility in practice. In 2016, Jian Qiao University was named as a "National Advanced Organization in Cultivating Young Volunteers (中國青年志願者優秀組織獎)" by the China Youth Communist League.

We believe the levels of participation of our students in extracurricular activities and the success they have had competing with their peers at other institutions, both in academic and non-academic pursuits, illustrates how successful our approach has been. From 2008 to 2019, our University's fencing team won 25 national awards in various competitions. In 2015, our men's Go team won the group championship in the Shanghai university Go tournament. In 2017, our University also received the award of "National Advanced Sports Unit (全國群眾體育先進單位)" from the General Administration of Sport of China (國家體育總局). During the Track Record Period, our students have also won a large number of national and provincial-level contests and awards in recognition of their practical skills in a wide range of areas, including advertising, innovative digital design, artistic design, English writing, spoken Japanese and college students' entrepreneurship competition. See "– Our University – Well-rounded education" for more details.

We have an experienced management team with a proven track record, complemented by a highly qualified teaching team

We have an experienced and proven senior management team with extensive knowledge of the PRC private higher education industry. Our management team consists of our executive Directors and senior management. The team is led by Mr. Zhou Xingzeng (周星增) (the founder of our University, the chairman of our Board and our executive Director) who has more than 27 years of experience in the education industry. Mr. Zhou also serves as the vice president of the China Association for Non-Government Education (中國民辦教育協會) and the Shanghai Association for Non-Government Education (上海市民辦教育協會), as well as a deputy of Shanghai Municipal People's Congress (上海市人民代表大會) since 2003. Mr. Zhou has extensive experience in the education industry. Mr. Zhou commenced his career as a lecturer at Guizhou Institute of Technology* (貴州工學院), currently known as Guizhou University (貴州大學), and later went on to serve as the head of the finance and accounting teaching and research office at Wenzhou University (温州大學). Mr. Zhou currently is responsible for the overall management and strategic planning of our University.

In addition, the principal of our University, Dr. Zhu Ruiting (朱瑞庭), has over 20 years of teaching and academic research experience. Mr. Zhu graduated as an undergraduate from Hangzhou University (杭州大學), currently known as Zhejiang University (浙江大學), and obtained a master's degree from Shanghai Academy of Social Science (上海社會科學院) and a doctoral degree from University of Marburg in Germany. Mr. Zhu is a renowned expert in marketing and international commerce and has received awards such as "Shanghai Cultivate Talent Award* (上海市育才獎)" and "Baosteel Excellent Teacher Award* (寶鋼優秀教師獎)" for distinguished teachers. He also has published one book in German, one book in Chinese and over 50 academic papers. Mr. Zhu currently is in charge of the overall operation of our University. Our executive Directors have been in the education industry for an average of approximately 17 years and have extensive experience in school management. We believe that our management team's extensive education and management experience has provided us with valuable industry insight and expertise, which has enabled us to manage our operations efficiently and better achieve our business goals.

We believe the quality of education we provide is largely dependent on the quality of our teachers. We have cultivated a highly qualified teaching team. We apply stringent recruitment standards when hiring teachers to ensure that they possess high levels of professional expertise with sufficient qualifications and teaching experience. We also provide systematic and tailored training for our teachers in order to improve their ability to design classroom instruction and implement education plans. We collaborate with external institutions in various industries to provide training opportunities for our teachers. We believe this helps our teachers to keep abreast of industry developments and understand what practical skills are sought after by employers, which in turn enables them to incorporate this knowledge in our curriculums and teach our students relevant skills for success in the job market.

OUR BUSINESS STRATEGIES

We intend to grow our course offerings and student body and solidify the leading position of our University in Shanghai and the entire Yangtze River Delta. To achieve this goal, we plan to pursue the following business strategies:

Enhance our profitability by optimizing our pricing and increasing student enrollment at our University

The level of tuition fees and boarding fees we charge is a significant factor affecting our profitability. Historically, we largely kept our tuition rates steady in order to focus on building our student enrollment. We did not increase our tuition rates at all over the Track Record Period. Due to our leading position in private higher education industry in Shanghai, the attractiveness of the Shanghai employment market and our proven graduate employment track record, as well as our applied science focused education services, we believe we will be able to optimize our pricing strategies going forward to increase profitability without compromising our competitive position or student enrollment levels. The last time we raised our tuition rates, in 2015, we raised rates by approximately 50% without causing any decrease in our student enrollment at the time. In fact, our total enrolled students increased from 14,299 in the

2015/2016 school year to 15,146 in the 2016/2017 school year, demonstrating strong demand for our services and our brand recognition at that time. In June 2019 we announced an increase in tuition for approximately one quarter of the majors and concentrations offered by our University. Such increase corresponded to our efforts to upgrade these subjects by offering a more comprehensive curriculum and international teaching methods. Tuition rates for these majors and concentrations will increase from RMB23,000 to RMB30,000 per student per school year, starting in the 2019/2020 school year. Going forward, we plan to review tuition rates on an ongoing basis and adjust them as appropriate. In addition, we charge students who are living in the two dormitory buildings of phase two of our construction plan RMB5,800 per student per school year, which is approximately 60% higher than our previous boarding fee rate. In addition, we plan to apply higher boarding fee rates given the fact that the new facilities and dormitories we plan to construct in the future will provide students with better living conditions.

We believe continuing to increase student enrollment is also important to our success. We intend to continue to increase our investments in new construction projects to build academic, administrative, and boarding facilities that can meet the needs of our expansion in the years to come. Phase two of our campus construction plan was put to use at the end of August 2019. Total capital expenditure related to construction of phase two of our campus is expected to be approximately RMB270.9 million, approximately RMB79.5 million of which was made in 2018. In the first half of 2019, capital expenditure related to construction of phase two of our campus was approximately RMB83.5 million, and we made additional capital expenditure related to construction of phase two of our campus of approximately RMB75.3 million in the second half of 2019. All such capital expenditure related to construction of phase two of our campus is expected to be incurred by the end of 2022. Capital expenditure was recognized according to the payment terms in the relevant construction contract, all these construction fees are expected to be fully paid by 2022. See "Financial Information – Discussion of Selected Items From Our Consolidated Statements of Financial Position – Other payables, deposit received, and accruals" for details of these payments. We plan to fund such construction with the proceeds from this Global Offering and cash generated from our operations. See "Future Plans and Use of Proceeds" for details. Such construction project occupies an aggregate site area of approximately 16,900 sq.m. and an aggregate gross floor area of approximately 60,076.38 sq.m., and includes a multi-function building with over 10,000 sq.m. of gross floor area specifically designed for our college of gemology, two dormitory buildings with approximately an aggregate of 4,000 beds, which will increase our school capacity, and an ancillary dormitory building for boarding related services, such as laundry rooms, as well as an underground garage.

Expand our school network and increase our market penetration

We intend to pursue suitable opportunities to acquire or invest in additional schools in China to expand our school network and increase our market share. As of the Latest Practicable Date, we had yet to identify any specific target school. We intend to prioritize private higher institutions, the school sponsors of which have elected them to be or intend to elect them to be for-profit schools, in particular universities offering bachelor's degree programs that are focused on applied sciences. We anticipate that suitable target schools will have student enrollment of at least 5,000 and revenue of at least RMB100 million. In terms of geographic locations, we intend to prioritize suitable target schools in east China, particularly in the Yangtze River Delta, which we believe will enhance our profile and create synergies in this region. According to the Frost & Sullivan Report, there were approximately 50 to 80 private higher education institutions in the Yangtze River Delta region meeting the aforementioned standards as of the end of 2018. Our target schools should also have good compliance records and reputations in the relevant local markets, or even nationwide. In the future subject to changes in market conditions and the relevant regulatory environment, we may expand our focus to include other higher education institutions, such as independent colleges established by public universities which meet the same size and geographic parameters listed above.

We will conduct feasibility studies and comprehensive assessments on potential target schools, including assessment as to (i) whether government policies are conducive to our acquisition and future operation of the target school; (ii) the operating conditions and long-term development potential of the target school; (iii) potential synergies that the target school may generate for our University; (iv) whether the school sponsor(s) of the target school has elected or intends to elect that such school be a for-profit private school; and (v) whether our objectives align with those of the existing school sponsor(s) of the target school.

After the completion of any such acquisition, we plan to effectively integrate the acquired school into our school network, ensure unified education quality and operational efficiency with our University. We also plan to enhance the education quality of the acquired school by sharing our teaching, research and our curriculum offerings with it. With respect to graduate employment, we plan to share our employment information and resources as well as our school-industry collaborative relationships with the acquired school. Further, we plan to implement centralized management over our school network, leverage extensive industry experience of our management team to facilitate the acquisition and integration, optimize development strategies and lower the operating costs of the newly acquired school. Our goal is to make sure the quality of education services provided by such target schools will be in line with that of our University. Also, we plan to establish exchange programs between our University and the acquired school, such as certain "3+1" programs, allowing qualified students from the acquired school to study for a year at our University. We believe such exchange programs will provide participating students the benefits of the advanced teaching resources of our University, the opportunity to study in an international city like Shanghai and potentially enter into the job market in Shanghai, as well as increase the attractiveness of our future school network as a whole. We plan to fund such expansion plan with the proceeds from this Global Offering and cash generated from our operations. See "Future Plans and Use of Proceeds" for details.

Further expand our educational service offerings to capture growth opportunities

We believe the quality of our education services is the foundation of our business. We intend to continue expanding and diversifying our course offerings in response to industry trends and market demand, including offering new majors based on market developments. We plan to further solidify our competitive advantages in providing well-rounded education with an applied science focus.

We believe there will be increasing demand in the gem and jewelry market for university-educated professionals and plan to continue to develop our college of gemology. The program, established in 2004, has achieved considerable success. According to the Frost & Sullivan Report, our gemology and jewelry materials study major (寶石及材料工藝學) was ranked number one nationally. As of September 30, 2018, our University had the largest college of gemology in China in terms of full-time student enrollment. We plan to leverage our existing strengths, including advanced facilities and equipment, experienced teaching staff including industry experts as adjunct professors, and deep cooperative relationships with enterprise partners, to build the best college of gemology in China in the next two years. Our long-term goal is to develop our college of gemology into one of the best gemology university programs in the world. In 2016 we established a new gemology-related major in luxury brand management (奢侈品管理). We had a total of 133 students enrolled in such new major as of September 30, 2019.

In addition to the further development of gemology and related majors, to meet increasing needs in the market in other sectors, we also plan to continue developing two new majors for our undergraduate program: pre-school education and nursing, both of which had received approvals from the MOE and began to admit students in the 2019/2020 school year. We have had success offering nursing studies to our junior college students since 2011, and are confident we will be able to transfer such experience to our undergraduate program.

We also plan to further develop our Go (圍棋) program (under the communication major) which will enroll both Chinese students and students from other countries. We believe our Go program is a unique feature of our University. We plan to continue to build such program to become the preeminent Go talent cultivation base in China through collaboration with our international academic partners such as Myongji University in Korea. Our plan is to leverage our existing relationship and offer more exchange or full-degree programs for the Go game education with academic partners which have a successful Go education track record.

Our University currently participates in certain joint cultivation master's degree programs with other qualified institutions, under which our faculty is involved in student education and research, but the master's degree is granted by our partner institutions. We plan to file an application to establish our own graduate programs in 2020. However, there is no assurance that such application will be approved. See "Risk Factors – Risks Relating to Our Business and Our Industry – We may not be able to execute our expansion strategies." Once approval is obtained, we plan to offer graduate programs with a focus on applied science education, which are different from programs offered by traditional graduate schools in China which generally adopt a more theoretical educational approach.

We plan to introduce additional services in order to increase and diversify our sources of revenue and other income. Specifically, we plan to expand our college of continuing education. We believe there is an increasing demand for continuing education among people in the workforce, especially in a fast developing city like Shanghai where employers attach great importance to education background. Furthermore, our University is not subject to any admission quota constraints for admitting part-time students to our college of continuing education. As of September 30, 2019, we had on-campus facilities and also had arrangements for the use of facilities at six Independent Third Party training or tutoring providers in Shanghai to provide certain continuing education courses at their premises, providing educational services to a total of 604 part-time students. We plan to establish another approximately four similar off-campus education centers in different areas in Shanghai in order to provide prospective part-time students with more location options and convenient commute times. We plan to offer similar applied science-focused curriculums to students enrolled in our college of continuing education which will allow us to leverage the experience and resources we have already accumulated.

Continue to attract and retain qualified teachers

The quality of our education services largely depends on our teachers. We intend to continue to attract and retain qualified teachers and improve the overall quality of our teaching staff. To achieve this goal, we plan to expand our teaching team with more "dual-qualified teachers" (雙師型教師) who not only have education experience, but also experience working in relevant industries. Also, we plan to leverage our strong international resources to attract high quality teaching resources from overseas.

In addition to our teacher recruitment plan, we intend to improve our compensation and training system to retain our qualified teachers. We plan to enhance our compensation system with additional rewards for extra teaching hours, additional responsibilities and positive results. Moreover, we intend to offer systematic continuing education to help improve our teachers' teaching techniques and general professional skills, as well as international exchange opportunities to familiarize our teachers with different teaching methods.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is to "build bridges for students to achieve success, for teachers to fulfil their career goals, and for society to satisfy its need for educated talent (為學生建成才之橋,為教師建立業之橋,為社會建育人之橋)." Our primary goal is to prepare our students to succeed. One key aspect of this goal is to educate our students to compete and succeed in the workforce. We focus on providing education in practical subject areas, particularly the applied sciences, to equip our students with practical and readily applicable skills that meet the demands of a changing job market. See "– Our Competitive Strengths – We have extremely high initial employment rates as a result of our focus on providing students with market-oriented course offerings." We also aim to help students identify and cultivate their personal interests to achieve their potential and contribute to society. We believe that all-around development, including the development of character, is a necessary part of preparing our students to succeed in the future.

OUR UNIVERSITY

Overview

We own and operate Shanghai Jian Qiao University, a private formal university located in Shanghai Municipality, China. The predecessor of our University was established in 2000 as a private school that mainly provided higher vocational education at junior college level (專科層次高等職業教育). In 2005, it transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to Shanghai Jian Qiao University (上海建橋學院). As of September 30, 2019, our University offered 54 majors and concentrations in its formal undergraduate program in a wide range of areas, including, among others, mechanical engineering, business administration, engineering management, gemology, accounting and international economics and trade, and an additional 13 majors in its junior college program, including, among others, mechatronics technology, international business, airline services and business English.

The following table sets forth the revenue, revenue attributable to tuition fees and boarding fees and gross profit margin for our University for the periods indicated. The revenue and gross profit margin are calculated based on all students, including both full-time students and part-time students in the continuing education program of our University. See "Financial Information – Key Components of our Results of Operations – Revenue" in this prospectus for more details.

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB in thousands, other than percentages)				
Revenue	291,650	356,967	424,587	216,475	254,211
Revenue from tuition fees	251,637	306,068	365,647	188,806	222,874
Revenue from boarding fees	34,851	43,041	53,495	26,110	30,554
Gross profit	124,903	163,361	222,215	116,244	147,307
Gross profit margin	42.8%	45.8%	52.3%	53.7%	57.9%

As of September 30, 2019, our University had a total of 19,857 full-time students under enrollment and employed a total of 841 full-time teachers. As of the same date, our campus had approximately 532,587 sq.m. of land and we occupied 50 buildings with an aggregate gross floor area of approximately 359,192 sq.m. Our University is a boarding school with on-campus dormitories. Our school facilities include classrooms, laboratories and training studios, conference hall, gymnasiums, outdoor playing fields, libraries, administrative offices, canteens, and student dormitories.

Our University generally recruits students from across China who possess a high school or equivalent qualification and have achieved our required total score on the National Higher Education Entrance Examination, or who possess a junior college diploma and meet certain academic requirements. During the Track Record Period, students from Shanghai and east China accounted for the majority of the total number of students enrolled at our University.

The following pictures display aspects of our University campus.

Student Enrollment and Capacity

The following table sets forth information relating to the number of newly admitted full-time students, admission quota and admission quota utilization rate for our University for the school years indicated:

	Newly Admitted Students[(1)(2)]					Admission Quota[(3)]					Admission Quota Utilization Rate				
	School Year					School Year					School Year				
											%				
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Undergraduate program	3,023	3,692	3,985	4,245	4,519	3,200	3,700	4,165	4,310	4,837	94.5	99.8	95.7	98.5	93.4
Junior college program	999	775[(4)]	833	819	826	1,000	900	900	900	900	99.9	86.1	92.8	91.0	91.8
Junior college/undergraduate program	270	209	214	372	535	280	280	220	380	540	96.4	74.6	97.3	97.9	99.1
Total	4,292	4,676	5,032	5,436	5,880	4,480	4,880	5,285	5,590	6,277	95.8	95.8	95.2	97.2	93.7

Notes:

* The information on newly admitted students was based on the internal records of our University.

(1) These numbers include full-time students, and exclude part-time students at our college of continuing education and international students in our University, as such students are not subject to admission quotas.

(2) Though our financial year ends on December 31, our school year generally ends on August 31. For consistency purposes, we use September 30 of the first calendar year to present the number of newly admitted students for each school year.

(3) The admission quota is determined and approved by the Shanghai Municipal Education Commission on a year-by-year basis considering various factors, including school capacity and social needs 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 admission quota for our undergraduate program increased annually during the Track Record Period. We believe this was partially due to the increase of our school capacity and also illustrates recognition of the quality of our education services are provided by the relevant authorities. However, there can be no assurance that the admission quota of our University will continue to increase in the future. See "Risk Factors – Risks Relating to Our Business and Our Industry – Our business, financial condition, and results of operations depend largely on the number of students our University may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of the facilities of our University" for details.

(4) The number of newly admitted students in the junior college program decreased in the 2016/2017 school year, primarily because we focused our recruitment efforts that year on the undergraduate program.

Our University is a boarding school with on-campus dormitories. As a result, school capacity is limited by the number of beds available in student dormitories at our University. Accordingly, school capacity is presented as the number of beds available in student dormitories at our University for the relevant school years. Two newly-constructed dormitories containing an additional 4,000 beds were put to use in the 2019/2020 school year. As a result, the school capacity of our University increased by 4,000. Our Directors are of the view that we would be able to increase our admission quota after the completion of our new dormitory buildings on basis that (i) we have successful track record operating our University and (ii) our admission quota increased every year during the Track Record Period. The following tables set forth information relating to student enrollment, school capacity and school utilization rate for our University for the school years indicated:

	Student enrollment(1)				
	School Year				
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
Undergraduate program	11,435	12,304	13,523	14,782	16,304
Junior college program	2,338	2,358	2,606	2,439	2,642
Junior college/ undergraduate program	526	484	433	587	911
Total	14,299	15,146	16,562	17,808	19,857

School year	**School capacity**	**School utilization rate(2)**
		(%)
2015/2016	18,008	79.4
2016/2017	18,008	84.1
2017/2018	18,008	92.0
2018/2019	18,008	98.9
2019/2020	22,008	90.2

Notes:

* The student enrollment information was based on the internal records of our University.

(1) Although our financial year ends on December 31, our school year generally ends on August 31. For consistency purposes, we use September 30 of the first calendar year to present student enrollment for each school year. Student enrollment figures do not include international students enrolled in our University as such students are not subject to admission quota.

(2) The school utilization rate equals to the total student enrollment for a school year divided general by the school capacity for the same school year multiplied by 100.

Pricing Policy

We charge our students tuition and boarding fees. It is our general policy for our full-time students to live on-campus and pay boarding fees for a room in student dormitories. Students who wish to live off-campus and commute may apply for a special exception. We will review such applications in accordance with the relevant regulations from the education authorities and approve on a case-by-case basis. The main considerations include the commute time, students' safety, parental consent, and personal or health reasons for the exception. In addition, our part-time students are not required to live on-campus. During the Track Record Period, we charged boarding fees per student per school year of RMB3,600. We charge students who are living in the two dormitory buildings of phase two of our construction plan RMB5,800 per student per school year.

The following table sets forth the average tuition and boarding fees for our University for the periods indicated.

	Average tuition fee and average boarding fee				
	Year ended December 31,(1)			Six months ended June 30,(3)	
	2016	2017	2018	2018	2019
			(RMB)		
Average Tuition Fee	16,614	18,480	20,533	11,400	12,515
Average Boarding Fee(2)	2,301	2,599	3,004	1,577	1,716

Notes:

(1) Average tuition fee and average boarding fee for the years ended December 31, 2016, 2017 and 2018, are calculated by dividing total revenue generated from tuition fees and boarding fees, respectively, of full-time students (not including part-time students in the continuing education program) for the year using the number of our full-time students enrolled as of September 30 of such year.

(2) The reason that our average boarding fee was lower than our current boarding fee rate of RMB3,600 was because we raised our boarding fee rate to RMB3,600 in 2016 which was only applicable to newly admitted students since that year. Our programs generally range from three to four years. For the year ended December 31, 2018, only students from class 2016 to class 2018 were subject to this new rate. The previous boarding fee rate was still applicable to students who were admitted in 2015.

(3) Average tuition fee and average boarding fee for the six months ended June 30, 2018 and 2019 are calculated by dividing total revenue generated from tuition fees and boarding fees, respectively, of full-time students (not including part-time students in the continuing education program) using the number of our full-time students enrolled as of September 30 of the previous calendar year.

The following table sets forth tuition fee information for our full-time programs for the school years indicated:

	Tuition Fee[(1)]				
	2015/2016 school year	2016/2017 school year	2017/2018 school year	2018/2019 school year	2019/2020 school year
			RMB		
Undergraduate program[(2)]	15,000-27,000	15,000-30,000	15,000-30,000	23,000-30,000[(3)]	23,000-30,000
Junior college program	12,000	12,000-18,000	15,000-18,000[(3)]	15,000-18,000	15,000-18,000
Junior college/undergraduate program	15,000	15,000	15,000-27,000[(4)]	23,000-27,000[(4)]	23,000-27,000[(4)]

Notes:

(1) Tuition fees shown above are applicable to full-time students enrolled in the relevant school years only, excluding tuition fees charged for part-time students in our continuing education program.

(2) The tuition fee range of the undergraduate program includes (i) the undergraduate program; and (ii) the undergraduate program under the international program. It excludes tuition fee rate for the international design college, which was RMB80,000 per school year, the tuition fee rate for the bilingual-lectured digital media technology program, which was RMB58,000 per school year, and the tuition fee rate for the international program with Vaughn College of Aeronautics and Technology, which was RMB45,000 per school year for each school year in the Track Record Period.

(3) Tuition fee rates for our undergraduate program and junior college program were raised in the 2015/2016 school year, which only applied to newly admitted students from the 2015/2016 school year onwards. Such a tuition fee rate raise was reflected in increases of the low end of the tuition rate range for our junior college program in the 2017/2018 school year, and for our undergraduate program in the 2018/2019 school year at which point students enrolled in our University prior to the 2015/2016 school year had all graduated.

(4) In the 2017/2018, 2018/2019 and 2019/2020 school years, the tuition rate for our product design (jewelry design) major was RMB27,000 per school year. All other majors under our junior college/undergraduate program had a tuition fee rate of RMB23,000 per school year.

For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, tuition fees from our University accounted for 86.3%, 85.7%, 86.1%, 87.2%, and 87.7% of our total revenue, respectively. We require students at our University to pay tuition fees and boarding fees for the entire school year at the beginning of each school year. Our tuition fees are recognized proportionately over the year excluding a two-month summer break and a one-month winter break, and our boarding fees are recognized proportionately over a 12-month period as students can live in the dormitory for the full year. Tuition rates may vary across our different programs and majors depending on the following factors: our operating cost, class size, popularity of our education programs, student enrollment and market conditions. On January 16, 2015, Shanghai Municipal Development and Reform Commission issued the Circular on Promulgating the Shanghai Pricing Catalog (2015) (Hu Fa Gai Jia Du [2015] No. 1) (上海市發展和改革委員會關於印發《上海市定價目錄》(2015) 的通知 (滬發改價督[2015]1號)), on February 4, 2015, Shanghai Municipal Education Commission issued the Circular on Issues Concerning Charge of Tuition Fees on Private Higher Education Schools (Hu Jiao Wei Min [2015] No. 4) (《上海市教育委員會關於進一步做好2015年民辦高

等學歷教育收費工作的通知》(滬教委民 [2015]4號), and on June 29, 2018, Shanghai Municipal Development and Reform Commission issued the Circular on Promulgating the Shanghai Pricing Catalog (2018) (Hu Fa Gai Gui Fan [2018] No. 6) (上海市發展和改革委員會關於印發《上海市定價目錄》(2018) 的通知(滬發改規範(2018)6號)), according to which, private higher education institutions in Shanghai are no longer subject to government pricing regulation. Instead, private higher education institutions in Shanghai can determine tuition and boarding fee rates at their own discretion, but are required to publish the tuition and boarding fee rates on platforms in accordance with the education fee disclosure requirement in Shanghai, such as admission brochures, school websites and bulletin boards.

We intend to review our tuition fee rates and boarding fee rates on an on-going basis and adjust them as appropriate to enhance our profitability. Historically we kept our tuition rates steady in order to focus on building our student enrollment. There were no changes in tuition rates during the Track Record Period. Prior to the Track Record Period, in 2015, we raised our tuition rates once by approximately 50%, consistent with what we observed in the market at that time. Despite this one-time increase, our number of total enrolled students increased from 14,299 in the 2015/2016 school year to 15,146 in the 2016/2017 school year. In June 2019 we announced an increase in tuition for approximately one quarter of the majors and concentrations offered by our University. Such increase corresponded to our efforts to upgrade these subjects by offering a more comprehensive curriculum and international teaching methods. Tuition rates for these majors and concentrations increased from RMB23,000 to RMB30,000 per student per school year, starting in the 2019/2020 school year. We believe the strength of our reputation, the attractiveness of the geographic location of our University, the post-graduation employment success of our students, and our advanced school facilities and services will help ensure the successful execution of our price optimizing plan. See "– Our Business Strategies – Enhance our profitability by optimizing our pricing and increasing student enrollment at our University."

Curriculums and Degrees

We currently offer an undergraduate program providing bachelor's degrees and a junior college program providing diplomas recognized by the MOE. We also offer a range of continuing education programs at our college of continuing education. As of September 30, 2019, our University offered approximately 67 majors and concentrations, including 11 majors and concentrations in the college of business, five majors and concentrations in the college of mechanical and electrical engineering, eight majors and concentrations in the college of journalism and communications, six majors and concentrations in the college of foreign languages, three majors and concentrations in the college of gemology, nine majors and concentrations in the college of information technology, eight majors and concentrations in the college of art design, two majors and concentrations in its international design college, and 13 majors and concentrations in the junior college program, as well as our newly established pre-school education and nursing majors. These majors and concentrations cover a wide range of specialized fields of study. Each college produces its own syllabi which are formulated by major-related course teachers and department heads together with our University management team.

Undergraduate Program

Our University has an undergraduate program offering bachelor's degrees for a total of approximately 54 majors and concentrations of formal undergraduate education as of September 30, 2019, covering a wide range of areas, including, among others, business administration (工商管理), engineering management (工程管理), financial engineering (金融工程), electronic sciences and technologies (intelligent electronics concentration) (電子科學與技術(智能電子方向)), mechanical design, manufacturing, and automation (intelligent manufacturing concentration and applied industrial robotics technology concentration) (機械設計製造及自動化(智能製造方向和工業機器人應用方向)), digitalized media technologies (virtual reality technology) (數字媒體技術(虛擬現實與交互技術方向)), automotive services engineering (new energy automobiles) (汽車服務工程(新能源汽車方向)), and gemology and jewelry materials studies (寶石及材料工藝學). For the 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, we had 11,445, 12,304, 13,523, 14,782 and 16,304 students, respectively enrolled in our undergraduate program, respectively.

We have also established a number of programs in different areas in which we have identified significantly unmet market demand. For example, we identified a gap between market demand and supply of talent in gemology and related areas. As a result, we began offering a gemology related major in 2004, established our college of gemology in 2015 and have been increasing investment in this college since then. We believe there will be an increasing demand in the market for university-educated professionals specializing in such areas. As of September 30, 2019, our University was the only institution in Shanghai that operated a gemology related program for undergraduate students. Our college of gemology offers three majors, namely gemology and jewelry materials studies (寶石及材料工藝學), product design (jewelry design) (產品設計(首飾設計)) and luxury brand management (奢侈品管理). According to Frost & Sullivan, our gemology and jewelry materials studies (寶石及材料工藝學) was ranked number one in China in terms of full-time student enrollment among all private universities. We operated the largest college of gemology in China in terms of student enrollment with approximately 1,000 students enrolled as of September 30, 2018. Most of our teachers in our college of gemology hold professional certificates granted by relevant institutions and industry organizations, such as certificates from Gemological Institute of America, HRD Antwerp, and Asian Institute of Gemological Sciences, which is in line with our goal to build a "dual-qualified" (雙師型) teaching team. In addition to our quality full-time faculty, we also invite industry experts and business executives to come to give lectures to our students and teachers, and hold workshops at our training studios from time to time to provide our students with first-hand knowledge and industry insights. As of June 30, 2019, our college of gemology had over 3,000 sq.m areas of training facilities, including jewelry design laboratories, gem processing laboratories, jade carving laboratories and exhibition rooms for our gem samples. Our University also has approximately 15 interest-oriented student organizations specialized in jewelry design, jade carving, material identification and other related areas to supplement our formal teaching and training. Our long-term goal is to develop our college of gemology into one of the best gemology university programs in the world.

Junior College Program

Our University has a three-year junior college program, offering junior college diplomas to graduating students. For the 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, we had 2,338, 2,358, 2,606, 2,439 and 2,642 students enrolled in the junior college program, respectively. Our junior college program offers courses in a total of 13 majors and concentrations in areas such as mechatronics, airline services, nursing and applied computer sciences. The curriculum for each major includes core mandatory courses selected from the syllabus designed by the MOE for junior college students and major-related elective courses which are specifically tailored to the respective educational objectives and characteristics of different majors, including teaching up-to-date skillsets required by employers given the latest market trends.

Junior College/Undergraduate Program

Our University has a two-year junior college/undergraduate program (專升本項目), allowing students who have completed a junior college program to further their study and obtain a bachelor's degree awarded by our University after an additional two years. Admission to the program is subject to, among other requirements, passing the junior college/undergraduate entrance examination held by our University in May every year. For the 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, we had 526, 484, 433, 587 and 911 students, respectively enrolled in such program, of which 447, 408, 296, and 362 students, respectively, came from our own junior college program.

Continuing Education Program

Our University also provides a range of open and flexible continuing education opportunities at its college of continuing education (繼續教育學院). These opportunities are especially attractive to part-time students who are currently employed but wish to upgrade their academic qualifications while remaining in the workforce. Our continuing education programs consist of an undergraduate degree program, a junior college diploma program had advanced to such program, and an external training program for non-students. Our continuing education programs offer eight majors in a variety of fields, including applied computer science, accounting, airline services tourism management, and mechatronics, among others. Students can obtain a junior college diploma or bachelor's degree after taking the appropriate continuing education program and successfully passing final examinations. As of June 30, 2019, in addition to our on-campus facilities, we operated six off-campus education centers using the premises of Independent Third Party training and tutoring service providers. Tuition fees for our continuing education program were RMB3,200 per school year for each of the 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years.

The college of continuing education is open to all PRC citizens regardless of educational background and generally recruits students from Shanghai. As of September 30, 2019, the college of continuing education had a total of 604 part-time students enrolled in the continuing education program.

Special Programs

In order to supplement traditional classroom instruction, we also offer a number of additional opportunities to students in our University:

International Admission

The management team of our University has had an international vision since 2007, in which year our application to admit international students was approved by Shanghai Municipal Education Commission. In 2014, we established our international design college to provide art design education to international students and disseminate traditional Chinese culture at the same time. As of September 30, 2019, we had a total of 17 international students from five different countries enrolled in our international design college. Throughout the Track Record Period, our international design college had an annual tuition rate of RMB80,000, which was significantly higher than that of our regular undergraduate programs due to the cost of the international teaching resources we dedicate to such program.

International Programs

In addition to our international design college which admits international students to come to China to study, our University offers two types of international opportunities for students to study abroad, namely (i) full-degree international programs – under which students have the opportunity to receive degrees from both our overseas partner institutions and from our University, (ii) exchange programs – under which students spend a limited period of time, generally ranging from one week to one school year, studying in a partner institution overseas, providing them with the opportunity to experience different languages, cultures and teaching methods. We believe these programs offer unique opportunities to our students to increase their experience, challenge and broaden their world view and grow as individuals, and help to strengthen the reputation, and enhance the overall quality and attractiveness, of our University. Further details of these programs are set out below. As of September 30, 2019, our University had entered into 68 collaborative agreements with different overseas institutions to establish international programs.

Our University has entered into collaboration arrangements to provide full-degree study opportunities with 14 different partner institutions, including the Kyoto College of Graduate Studies for Informatics in Japan and Vaughn College of Aeronautics and Technology in New York. These programs typically provide opportunities for students enrolled in our University who meet certain criteria to receive additional training at and a diploma from, foreign institutions of higher education. For example, under the mechanical design, manufacturing and automation program (機械設計製造及自動化項目) we established with Vaughn College of Aeronautics and Technology ("Vaughn"), students completing three school years/ninety-three credits at our University are eligible to apply for admission to a special program at Vaughn, upon the successful completion of which they will receive a bachelor of science degree from Vaughn. As of September 30, 2019, there were a total of 236 students enrolled in such program.

Moreover, we have entered into arrangements with a number of partner institutions to establish short-term exchange programs, such as Shih Hsin University (台灣世新大學) in Taiwan, which allow our students to visit and study in these partner institutions. These programs generally have a term ranging from one week to one school year. Credits gained by our students during the exchange programs are recognized by our University.

School-Industry Collaboration Programs

We have forged meaningful industry connections and established school-industry collaboration programs to combine the resources of our University and third-party enterprises and institutions to create an educational environment that blends academic teaching with practical training. As of September 30, 2019, we had established collaborative relationships with approximately 111 enterprises. Our collaboration with such enterprises takes a variety of forms, including enterprise partners participating in curriculum development to integrate their specific training requirements into such curriculums and professionals from our enterprise partners coming to share their industry insights with our students.

Specific examples of collaboration programs include the following:

- *Industrial and Educational Integrated Innovation Bases*: our University has collaborated with Zhongxing Telecommunication Equipment Corporation (中興通訊股份有限公司), to establish an industrial and educational integrated innovation base (產教融合創新基地). The industrial and educational integrated innovation base is designed and constructed in accordance with the principles of building an enterprise-like simulated training environment, to provide students with a simulated task-based work environment to better teach needed skills and facilitate the transition from a school to a work environment. In 2015, the MOE approved our application to establish a "Zhongxing ICT Industrial and Educational Integrated Innovation Base (中興通訊ICT產教融合創新基地項目)". We were the only institution in Shanghai to receive such approval. According to the announcement made by the National Center for Schooling Development Programme of the MOE (教育部學校規劃建設發展中心), the participating enterprise is responsible for assigning experts to deliver regular professional training to students in the areas of communication engineering designing applied majors, training teachers to obtain relevant industry licenses, and providing support to build research platforms.

  Our University has also collaborated with Beijing Huatec Information Technology Co, Ltd (北京華晟經世信息技術有限公司), to establish another industrial and educational integrated innovation base. We were also one of the 17 institutions nationwide selected by the MOE to establish an "Internet Plus Made-in-China 2025 Industrial and Educational Integrated Innovation Base (互聯網+中國製造2025產教融合創新基地項目)." We partnered with Beijing Huatec Information Technology Co, Ltd to develop a new major and a new concentration under our existing network engineering major, namely mechanical design, manufacturing,and automation with a concentration on applied industrial robotics technology (機械設計製造和自動化

(工業機器人應用)) and network engineering with a concentration on industrial networks (物聯網工程(工業互聯網)). The main purpose of the base is to help cultivate intelligent manufacturing talent to meet the increasing demand in the market. Under these two agreements, (i) the participating enterprise partners jointly formulate the curriculum with our University; (ii) the participating enterprise partners provide technology support in relation to the professional training; (iii) the participating enterprise partners assign professional staff to deliver lectures and training at our University; and (iv) our University provides suitable facilities for training purposes, and assumes the responsibility of compensating the assigned professional staff and providing other benefits to them, such as accommodation, meals and commute expense.

- *Employer-tailored programs*: We have entered into collaboration agreements with a number of enterprise partners regarding the establishment of employer-tailored programs (校企合作訂單班合同), including Belle Footwear (Shanghai) Co., Ltd. (百麗鞋業(上海)有限公司) ("Belle"). Through such arrangements, we offer specific employer-tailored courses that are designed to meet the specific needs of certain employers to participating students. Our University formulates tailored curriculums together with these enterprise partners. Our teaching faculty and representatives from such enterprise partners have joint responsibility to teach students based on these plans. Our University entered into a cooperation agreement with Belle in 2014, regarding the employer-tailored training of students. Under the agreement (i) the participating enterprise partner and our University jointly formulate the overall content and curriculum; (ii) the participating enterprise partner assigns representatives to deliver regular professional training on technical skills and share industry insight; (iii) the participating enterprise partner collaborates with our University to assess students, and agree to provide internship opportunities to students with outstanding performance during the training; and (iv) our University hires qualified professionals from the enterprise partner as adjunct lecturers and pay for their salaries.

Well-Rounded Education

Our overall educational goal is to prepare our students to succeed in their careers and their lives, and we are therefore committed to cultivating well-rounded students and not just effective test takers. To facilitate that goal, along with our focus on providing applied science education, we encourage our students to engage in a variety of extracurricular activities to improve themselves, and strive to develop our students' sense of social responsibility. Participating in such activities is part of the formal requirements to graduate from our University. All of our curriculums include a number of credits that can only be obtained through participation in extracurricular activities.

We encourage students to participate in a wide variety of extracurricular activities, including both athletic and academic activities as well as volunteering opportunities. We have several student athletic teams with successful records, including our University's fencing team which has won 25 national awards in different competitions from 2008 to 2019, our men's Go team which won the group championship in the Shanghai university Go tournament in 2015, and our men's basketball team which has participated in the championship game of the Shanghai university men's basketball league three times and won the title once, and has also represented Shanghai Municipality competing at the national level. As a result of the performance of our student athletes, our University was recognized by the General Administration of Sport of China as a "National People's Advanced Sports Unit (國家群眾先進體育單位)" in 2017.

During the Track Record Period, our students have also won a number of national and provincial-level contests and awards in recognition of their practical skills in a wide range of academic subjects, including advertising, innovative digital design, artistic design, English writing, spoken Japanese and entrepreneurship. The following table sets forth selected achievements of our students during the Track Record Period.

Year	Achievement	Awarding Organization
2017, 2018 and 2019	Multiple students won the first or second prize at the sixth, the seventh and the eighth University Student Mechanical Engineering Innovation Competition of Shanghai (第六、第七及第八屆上海市大學生機械工程創新大賽)	Shanghai Municipal Education Commission (上海市教育委員會)
2019	The first prize at the 16th "Challenge Cup" National University Student Extracurricular Sciences and Technology Project Shanghai Regional Competition (第十六屆"挑戰杯"全國大學生課外學術科技作品競賽上海市選拔賽)	Shanghai Municipal Education Commission (上海市教育委員會)
2018	The first prize at the "Guangyi" Cup Diamond Grading National Competition ("廣藝杯"鑽石分級全國競賽)	Gems & Jewelry Trade Association of China (中國珠寶首飾行業協會)
2018 and 2019	Multiple students won awards at the third and the fourth "Hui Chuang Qing Chun" Shanghai College Student Culture and Originality Work Exhibition (第三及第四屆"匯創青春"上海大學生文化創意作品展)	Shanghai Municipal Education Commission (上海市教育委員會)
2017	Three teams from our University won the Award of Excellence at National University Students E-Commerce Innovation Competition (全國大學生電子商務"創新、創意及創業"挑戰賽優勝獎)	China International Trade Association (中國國際貿易協會)

Year	Achievement	Awarding Organization
2017	Multiple students won awards at the National University Student English Skills Competition (2017年全國大學生英語競賽)	The English Education Guidance Committee of the MOE (教育部英語教育指導委員會)
2017	Multiple students won individual awards at the Ninth Shanghai Yulong Jewelry and Jadeware Design Competition (第九屆上海玉龍獎珠寶玉器作品評選大賽)	Shanghai Gem Industry Association (上海市珠寶行業協會)
2017	The fifth National Higher Education Institution Digital Design Competition (第五屆全國高校數字藝術作品大賽)	The talents exchange center of the Ministry of Industry and Information Technology (工業和信息化部人才交流中心)
2016	Multiple students won individual awards at the Sixth "Shang Tu Cup" CAD competition (第六屆"上圖杯"先進成圖技術大賽)	Shanghai Municipal Education Commission (上海市教育委員會)
2016	Group award from the 2016 National Higher Education Institution Elite International Trade Competition (2016全國高校商業精英挑戰賽國際貿易競賽)	Higher Education Economy and Commerce Education Guidance Committee of the MOE (教育部高等教育經濟和貿易教育指導委員會)
2016	Individual award in the eighth National University Student Advertisement Design Competition 第八屆全國大學生廣告藝術大賽(上海分賽區)	The MOE (中國教育部)
2016	Multiple students won individual awards at the eight Shanghai Yulong Jewelry and Jadeware Design Competition (第八屆上海玉龍獎珠寶玉器作品評選大賽)	Shanghai Gem Industry Association (上海市珠寶行業協會)

Volunteering activities: We encourage our students to participate in volunteering activities and provide opportunities on a regular basis for our students to do so. Our students routinely participate in community service activities such as visiting senior citizens in nursing homes. They also participate in the "three support and one assistance" program (三支一扶), which provides technical support in the areas of agricultural, medical, and education development as well as poverty alleviation to underdeveloped areas. We believe these volunteering activities provide our students with opportunities to give back to the community and, at the same time, enhance our students' understanding of social responsibility in practice. In 2016, our University was named as a "National Advanced Organization in Cultivating Young Volunteers (中國青年志願者優秀組織獎)" by the China Youth Communist League.

Examinations and Grade Assessment

Assessment of student performance at our University is comprised of a number of parts. While traditional final examinations do form an important component of students' grades, assessment is also carried out throughout the semester in a variety of forms, including presentations, case analyses and written papers. Students' participation in class discussions, as well as the results of any relevant internship evaluations and training and practical examinations also form a significant part of students' final grades. Our teachers assess students' performance based on a number of criteria, not simply based on test scores, and seek to cultivate practical skills through a combination of theory and practice, paying particular attention to helping students to develop the interpersonal skills and problem-solving skills they will need to succeed.

Student Withdrawals and Refunds

In the event a student withdraws from our University during the school year, we have refund policies in place setting forth the percentage of tuition and boarding fees that can be refunded to such student depending on when the student leaves our University. If a student withdraws from a program (i) within seven weeks of the commencement of the current school year, two thirds of the tuition and boarding fees received will be refunded; (ii) if a student withdraws after the first seven weeks of a school year, no tuition or boarding fees will be refunded.

The following table sets out the number of students who withdrew from our University for the school years indicated:

Number of students that withdrew(1)			
School year			
2015/2016	**2016/2017**	**2017/2018**	**2018/2019**
100	103	75	64

Notes:

(1) Main reasons for students withdrawing from our University include: (i) students being unable to finish registered programs within the maximum duration, (ii) students being unable to adjust themselves to university study, (iii) students choosing to study abroad, (iv) students choosing to re-take the National Higher Education Entrance Examination, (v) students choosing to start their own business ventures, and (vi) health or other personal reasons. Number of students that withdrew did not include students who applied for a leave of absence, which was 74, 179, 166 and 210, for 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, respectively.

The following table sets forth the amount of tuition and boarding fees refunded to students by our University for the periods indicated:

Tuition and boarding fees refunded(1)(2)

	Year ended December 31,			**Six months ended June 30,**
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Tuition fees	1,742.3	2,336.7	2,816.0	1,082.6
Boarding fees	301.4	281.7	369.6	136.5

Note:

(1) We calculate the number of students that withdrew on a school year basis. However, our tuition and boarding fees refunded is calculated on a calendar year basis, which is also our fiscal year. As a result, the total refund amount in a given period as presented in this table includes a portion of tuition and boarding fees refunded from the previous school year.

(2) The trend of the fluctuation of our tuition and boarding fees refunded may not be the same as the trend of the number of students withdrew during the Track Record Period, primarily because: (i) we raised our tuition fee rate in 2015 and such raise was applicable only to newly admitted students since that year. As a result, each year during the Track Record Period, more students were subject to the higher tuition fee rate, which in turn partially resulted in increases in our tuition fees refunded during the Track Record Period; (ii) tuition and boarding fees refunded include amounts from both students who withdrew and students who took a leave of absence; and (iii) in the case of students who withdrew or took a leave of absence in one year and applied for a refund in a later year, the table above reflects the refunded amount in the later year.

GRADUATE EMPLOYMENT

We believe the success of our practical focus, strong ties with industry and geographic advantages of Shanghai are reflected in the extremely high initial employment rates enjoyed by graduates of our University during the Track Record Period. For the 2015/2016, 2016/2017, 2017/2018 and 2018/2019 school years, the initial employment rates of students graduating from our University, defined as the percentage of such graduates who had found full-time employment or enrolled in further studies by August 25 of the year in which they graduated, were 99.3%, 99.8% and 99.0%, respectively. The following table sets forth the number of graduates and initial employment rates for the graduates from our University by program for the school years indicated:

	Number of graduates and initial employment rate School year							
	2015/2016		2016/2017		2017/2018		2018/2019	
Type of graduates	Number of graduates	Initial employment rate	Number of graduates	Initial employment rate	Number of graduates	Initial employment rate	Number of graduates	Initial employment rate
		(%)		*(%)*		*(%)*		*(%)*
Undergraduate program	2,776	99.4%	2,697	99.9%	3,038	99.1%	2,933	98.9%
Junior college program[(1)]	678	99.0%	490[(2)]	99.2%	891[(3)]	98.9%	634	99.2%
Total	3,454	99.3%	3,187	99.8%	3,929	99.0%	3,567	99.0%

Notes:

(1) Students from our junior college program who are admitted to our junior college/undergraduate program are counted as employed upon graduation. After such students complete their two-year undergraduate study, they are counted as graduates of the undergraduate program in the same graduating class.

(2) The number of junior college graduates decreased from the 2015/2016 school year to the 2016/2017 school year mainly because of a decrease in the number of students in such program primarily due to the physical constraints of our previous campus. In order to admit more students into our undergraduate program, we reduced the size of our junior college program in the 2014/2015 school year, which was later reflected in the numbers of graduating students of such program in the 2016/2017 school year.

(3) In the 2015/2016 school year, our University moved to our current campus with a larger school capacity. As a result, our junior college enrollment increased which was later reflected in the number of graduating students of such program in the 2017/2018 school year.

Our achievement in graduate placement has been well-recognized. For example, in 2013, our University was recognized as an Advanced Institution in Promoting Employment of Shanghai Municipality (上海市促進就業先進集體).

FUTURE DEVELOPMENT

New programs and majors

We understand that the quality of the education services we deliver to our students is the foundation of our business. We strive to constantly improve our programs and major offerings to meet changing needs in the market. We plan to continue to focus on applied sciences while building a number of new majors and programs. After thorough market research and after we received approvals from the MOE, we established two new majors for our undergraduate program, (i) pre-school education and (ii) nursing. We began to admit students into these majors in the 2019/2020 school year. We hired seven full-time teachers specialized in pre-school education. For our nursing major, we hired four full-time teachers who specialize in such area. Our long-term plan is to establish a gerontology nursing concentration. We commenced offering nursing studies to our junior college students since 2011, and are confident in transferring our experience to our undergraduate program. As of June 30, 2019, we had a gross floor area of approximately 2,000 sq.m. of practice studios for nursing majors. We plan to increase such facilities by 1,000 sq.m. in the future. We believe the establishment of these two majors are responsive to market needs, particularly with the "two-child policy" in effect, the Shanghai local employment market has seen increasing demand for quality pre-school teachers. Nursing professionals and elderly-care givers are also in high demand, due to the aging local population in Shanghai.

We also have recently established and plan to continue to develop our Go program. Go is an ancient Chinese strategic board game that still enjoys immense popularity in modern times and we believe supports its own industry and provides significant employment opportunities in roles such as professional coaches, tutoring trainers, Go-related media, and club management. Our University has been competing in various Go tournaments and a collaborative relationship with experts in the Go game industry. Leveraging our existing resources, knowledge base and strong reputation, we launched our Go programs in 2018, primarily focusing on teaching our students the culture and history of the Go game, Go-related business marketing and operations, and Go-related media, as well as how to coach Go. To further increase our influence and expose our students to educational resources internationally, we plan to collaborate with international academic partners with leading Go programs. For example, we established collaboration with Myongji University in Korea, which has a successful track record offering Go programs, to establish a "2+2" program that offers the opportunity to students at our University to study at Myongji University for two years.

Our University is also preparing to establish a graduate program. We plan to build a graduate program focusing on practical education in applied sciences, differing from traditional graduate school programs in China which normally adopt a theoretical educational approach. We plan to file an application with the MOE in 2020 to establish our own graduate program. In order to gain experience in graduate education, certain faculty members of our University are participating in a numbers of joint cultivation master's degree programs with certain higher education institution partners, such as Jiangxi Finance and Economics University. Under such arrangements, our faculty is involved in daily teaching and research activities, but students enrolled in such joint cultivation master's programs receive their master's degrees from the partner institutions upon graduation.

Overseas College

With a view to creating synergies with our University in China and complying with the Qualification Requirement as further described in the section headed "Contractual Arrangements" in this prospectus, we also plan to expand our network abroad by establishing a degree-granting higher education institution in the State of California, the United States offering business administration programs. We have engaged an agent who has experience in postsecondary education to assist us in establishing Gench US, and filing applications with the BPPE regarding our establishment of the California Gench College, a higher education institution, in California, the United States. On August 13, 2018, Gench US was established in the State of California by the agent, and it became our subsidiary on October 30, 2018 to operate and manage the California Gench College. In connection with our establishment of the California Gench College, we filed an application with the BPPE on November 21, 2018, and we received a response letter dated October 1, 2019 from the BPPE requesting further information. Based on the further information requested by BPPE and our understanding from our agent, assuming there is no major issue, the approval process with the BPPE is expected to complete in 2020. Our Directors currently do not foresee any major issue in this regard based on our communication with our agent. We plan to incur initially approximately US$490,000 in connection with our establishment of the California Gench College, of which approximately US$44,725 had been expended as of the Latest Practicable Date. We estimate operating cost, including rental cost of California Gench College for 2020, will be approximately US$42,000. We do not expect our investment in California Gench College to have any material adverse impact on our overall cost structure and financial results on the basis that: (i) most cost, arising from the establishment of California Gench College will be capitalized and thus, will not affect our overall profitability throughout its establishment period; (ii) the initial estimated student enrollment of California Gench College is expected to be approximately 60 and California Gench College will progress to a more mature stage after six years of operation and development, with an increasing trend of student enrollment year by year until reach a total student enrollment of 300; and (iii) total initial investment of US$490,000 in California Gench College represents approximately only 1.7% of the cost of sales of our Group for the year ended December 31, 2018.

We plan to hire experienced teaching and administrative staff in the United States to assist with our operation of California Gench College. However, we have no prior experience operating schools in the United States, and cannot assure you that we will be able to identify and hire suitable teaching and administrative staff. See "Risk Factors – Risks Relating to Our Business and Our Industry – We may not be able to execute our expansion strategies" for details.

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTING RULES AND REGULATIONS

2016 Decision

Pursuant to the 2016 Decision which took effect on September 1, 2017, private schools will no longer be classified as either schools for which school sponsor(s) require reasonable returns or schools for which school sponsor(s) do not require reasonable returns. Instead, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, see "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" of this prospectus.

Implementing Rules at the State Level

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the State level in December 2016 and August 2017. The Implementing Rules for Classification Registration of Private Schools were issued on December 30, 2016, specifying that, after being granted an operating license by the competent government authorities, a private school shall apply for a business license in accordance with relevant regulations. For-profit private schools need to apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations. The Implementing Rules for the Supervision and Administration of For-profit Private Schools were issued on December 30, 2016, specifying certain requirements regarding the establishment, modification and termination of a for-profit private school and the education and teaching related activities and financial management conducted by a for-profit private school. The Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education were issued on December 29, 2016, specifying certain policies to be followed to promote private education. Furthermore, 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 was issued on August 31, 2017, specifying certain requirements to be followed on the name of for-profit private schools. See "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus for details.

Implementing Rules in Shanghai

On December 26, 2017, the People's Government of Shanghai promulgated the Shanghai Opinion and the Shanghai Licensing Measures, pursuant to which further requirements are implemented in light of the 2016 Decision, including but not limited to, the requirement that school sponsors of private schools (other than schools providing compulsory education) established and registered in Shanghai prior to November 7, 2016 shall submit in writing their decisions to convert into for-profit or non-profit schools by December 31, 2018 and complete the conversion to a non-profit school by December 31, 2019 and to a for-profit school by December 31, 2021 for higher education institutions. See "Regulatory Overview – Regulations on Private Education in the PRC" in this prospectus for details.

Potential Impact on us of the 2016 Decision and Related Implementing Rules

Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in December 2018, the School Sponsors of our University have submitted their decision to the Shanghai Municipal Education Commission to register as a for-profit private school. Pursuant to the 2016 Decision, school sponsor(s) of a private school may freely at its own discretion choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. Our PRC Legal Advisors are thus of the view that our University would be able to be registered as a for-profit private school. As such, the potential impact of the 2016 Decision and related implementing rules includes the following:

- *The rights and interests of the school sponsors of our University 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 University shall have the discretion to determine the standards and types of the fees to be charged by our University* – in accordance with the 2016 Decision, as the School Sponsors of our University have decided to register our University as a for-profit private school, our University would be entitled to make its own decisions about the standards and types of the fees to be charged by our University based on our University's operating costs and market demand;

- *Tax implications on our PRC Affiliated Entities* – according to our consultation with Shanghai Pudong New Area Tax Service, State Administration of Taxation* (國家稅務總局上海市浦東新區稅務局), which is the competent tax authority of our PRC Affiliated Entities as advised by our PRC Legal Advisors, we understand that receipt of reasonable service fees by Gench WFOE with reference to market price in respect of the service provided to our PRC Affiliated Entities pursuant to the Contractual Arrangements and in accordance with the relevant tax laws and regulations will not be regarded as transfers of profits of our PRC Affiliated Entities to Gench WFOE or tax evasion or distribution of operating profits by our PRC Affiliated Entities;

- *There may be increased uncertainties about the extent of the benefits to be provided by relevant government authorities* – for instance, according to the 2016 Decision, land shall be supplied to newly established or expanded non-profit private schools by the government through allocation or other means in accordance with the same preferential treatment as public schools, while land shall be supplied by the government to for-profit private schools in accordance with relevant regulations as stipulated by the State. Accordingly, there exist uncertainties regarding the benefit that we may be provided by the government and the costs for a for-profit school to obtain land use rights;

- *Our University will be subject to the requirements of applying for re-registration* – according to the Implementing Rules for Classification Registration of Private Schools and the Shanghai Licensing Measures, 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 and complete the conversion to a for-profit school by December 31, 2021 for higher education institutions. 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 provinces, autonomous regions or municipalities in the PRC. The registration authority shall, in accordance with applicable regulations, register the private schools that meet the requirements of registration and issue to them relevant business licenses.

As advised by our PRC Legal Advisors, despite the aforesaid implementing rules relating to 2016 Decision, there remain uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a for-profit private school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by local authorities in Shanghai and (ii) specific conditions or requirements in respects of any preferential tax treatment which for-profit schools may enjoy have not been promulgated by relevant authorities. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

Potential Implications of the MOJ Draft for Review if it Becomes Effective

On April 20, 2018, the MOE issued the MOE Draft for Comments, namely the Implementing Regulations for the Law for Promoting Private Education of the PRC (the Draft Revision) (the Consultation Version) 《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 Review, namely, the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) 《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)》, based on a revised version of the MOE Draft for Comments, to seek public comments. The MOJ Draft for Review 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 those 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 governments in the PRC shall grant preferential treatments in terms of land use by means of allocation or other means in accordance with the principle of treating non-profit private schools equally to public schools, and for schools that provide education for academic credentials, may provide parcels of land by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Review also made certain significant changes to some provisions of the 2004 Implementing Regulations which may affect private schools. In particular, the MOJ Draft for Review 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; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be of an amount of no less than RMB200 million. See "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus for further details.

After the publication of MOJ Draft for Review for public comments, with the assistance of our PRC Legal Advisors, we consulted the Shanghai Municipal Education Commission, being the competent authority in relation to this subject matter as advised by our PRC Legal Advisors, to understand the local regulator's understanding of the key provisions of the MOJ Draft for Review. During the consultation, the official confirmed that:

(a) our Contractual Arrangements entered into between Gench WFOE and the PRC Affiliated Entities on December 11, 2018 comply with the relevant laws and regulations in the PRC;

(b) the MOJ Draft for Review does not specify that it will have retrospective effect and therefore if the MOJ Draft for Review is promulgated in the form as published, it will not have any retrospective effect on contracts signed prior to them becoming effective, including our Contractual Arrangements;

(c) in general Shanghai might not introduce local rules and regulations similar to MOJ Draft for Review that has retrospective effect;

(d) in relation to Clause 12 of the MOJ Draft for Review, although there is no clear definition of "centralized school management models", if the MOJ Draft for Review is promulgated in the form as published and our School Sponsors are considered as using centralized school management model, our School Sponsors cannot acquire non-profit private schools held by others through ways such as mergers and acquisitions, franchising or "contractual arrangements" but our University and School Sponsors can control for-profit private schools using methods such as mergers or acquisitions, franchises or "contractual arrangements";

(e) according to Clause 21 of the MOJ Draft for Review, the minimum registered capital for a private school providing higher education for academic qualifications shall be RMB200 million. If the MOJ Draft for Review is promulgated in the form as published, it is only applicable to newly-established schools and therefore our University is not required to meet the aforementioned minimum registered capital requirement of RMB200 million when it is registered as a for-profit school. Given that the paid-up capital of our University has already exceeded the aforementioned minimum registered requirement of RMB200 million, our University does not need to further increase its capital for the purpose of complying with such requirement, and our University can request to register its paid-up capital as registered capital when it registers as a for-profit private school;

(f) as long as our Contractual Arrangements are entered into under the principles of openness, fairness and justice and are not considered as harming national interests or the interest of the schools or the rights and interest of the teachers and the students, the entering into of the Contractual Arrangements would not be prohibited by Article 45 of the MOJ Draft for Review and our Contractual Arrangements can continue without being required to be terminated or amended if it is promulgated in the form as published; and

(g) the normal school operation and benefits enjoyed by our University will not be affected during the period when it is converting into a for-profit private school. As advised by our PRC Legal Advisors, there remains uncertainties in the interpretation and application of the MOJ Draft for Review with respect to various aspects of the operations and benefits enjoyed our University after converting to a for-profit school, such as (1) the respective preferential tax treatment which may be enjoyed by for-profit private schools and (2) the costs for a for-profit school to obtain new land use rights.

Based on the government consultation and having regard to the advice from our PRC Legal Advisors, as of the Latest Practicable Date, our Directors considered that the potential impact of the MOJ Draft for Review on us includes the following:

With respect to our existing group structure – Based on our current understanding and interpretation of the MOJ Draft for Review, (i) the MOJ Draft for Review would not have any substantial impact on the regulatory framework of our University; and (ii) in December 2018, the school sponsors of our University have submitted their decision to Shanghai Municipal Education Commission to register as a for-profit private school.

In addition, according to Clause 21 of the MOJ Draft for Review, the minimum registered capital for a private school providing higher education for academic qualifications shall be RMB200 million. As of the Latest Practicable Date, our University had start-up capital (開辦資金) of RMB50 million and paid-up capital of RMB710 million. As confirmed by the relevant official during our consultation with the relevant education authority, (i) if the MOJ Draft for Review were promulgated in the form as published, it is only applicable to newly-established schools and therefore our University would not be required to meet the aforementioned minimum registered capital requirement of RMB200 million when it registers as a for-profit school; and (ii) given that the paid-up capital of our University has already exceeded the aforementioned minimum registered capital requirement of RMB200 million, our University does not need to further increase its capital for the purpose of complying with such requirement, and our University can request to register its paid-up capital as registered capital when it registers as a for-profit private school. Based on the aforesaid government consultation, our PRC Legal Advisors have advised us that, if the future laws, regulations, policies and other legal requirements as well as the interpretation and enforcement by the competent authority are consistent with the above consultation, our University does not need to increase its registered capital to no less than RMB200 million when it registers as a for-profit private school, but there are uncertainties as to the content of the final version of the MOJ Draft for Review and the specific requirements that may be imposed by the relevant authorities in the future.

Our future acquisition may be subject to more stringent regulations – According to Clause 12 of the MOJ Draft for Review, social organizations which adopt centralized school management models are not allowed to control non-profit private schools through ways such as mergers and acquisitions, franchising or "contractual arrangements". Therefore, as advised by our PRC Legal Advisors and confirmed by relevant official during the government consultation, if the MOJ Draft for Review is eventually adopted in the current form, Jian Qiao Group and Jian Qiao Investment may not be able to acquire non-profit schools held by others using methods such as mergers or acquisitions, franchises or "contractual arrangements". Our acquisition scope may also be limited. We may acquire schools that have been registered as for-profit private schools and we may not be able to acquire schools that have already been registered as non-profit private schools. Reasonable measures may have to be adopted in relation to future acquisitions to minimize possible conflict with the provisions of the MOJ Draft for Review.

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 separate regulations and regulations do not have retrospective effect other than special provisions which are made to better protect the rights and interests of citizens, legal persons or other organizations. Accordingly, as advised by our PRC Legal Advisors and confirmed by relevant official during the government consultation, if the MOJ Draft for Review is promulgated in the form as published, it shall not have retrospective effect in principle on our Contractual Arrangements which have been signed on December 11, 2018 before its promulgation. Our Contractual Arrangements can continue and will not be required to be terminated or amended, so long as our Contractual Arrangements had been entered into in compliance with the then applicable PRC laws and regulations and the principles of openness, fairness and justice as required under the MOJ Draft for Review; and (ii) Clause 45 of the MOJ Draft for Review 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 the relevant government authorities in terms of necessity, legitimacy and compliance.

There are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the MOJ Draft for Review – The consultation period for the MOJ Draft for Review has ended on September 10, 2018 but the PRC government has not provided any timeframe for promulgation of the MOJ Draft for Review. There are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the MOJ Draft for Review. See also "Risk Factors – Risks Relating to Our Business and Our Industry – New legislation or changes in the PRC regulatory requirements regarding private higher education may effect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review" in this prospectus. There can be no assurance that our current decision to register our University as a for-profit private school will not materially and adversely affect our business, financial condition and results of operations. We will make the relevant amendments to our Group's decision in response to the developments of 2016 Decision and MOJ Draft for Review after consulting our PRC Legal Advisors.

In order to assess the potential impact of the 2016 Decision and MOJ Draft for Review on our operations, we have established a special committee to pay close attention to any rules and regulations to be promulgated by relevant authorities at all levels regarding the interpretation and implementation of the 2016 Decision and MOJ Draft for Review. The special committee is led by Mr. Zhou Xingzeng, with two other members, being Dr. Zhu Ruiting and Mr. Wang Bangyong. We will consult with our PRC Legal Advisors when such rules and regulations are promulgated regarding the potential impact on all aspects of our operations; and make announcements when appropriate.

Please also refer to the sections headed "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education of the PRC and the Implementation Rules for the Law for Promoting Private Education", "Risk Factors – New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the MOE Draft for Comments and the MOJ Draft for Review" and "Risk Factors – Risks Relating to Our Business and Our Industry – The unavailability of any preferential tax treatments currently enjoyed by our University could materially and adversely affect our results of operations" in this prospectus for further details.

OUR STUDENTS

Students and Student Recruitment

We believe the reputation of our University, the high initial employment rate of our graduates, the quality of our curriculums, the diversity of our major offerings and the qualifications of our teachers are key elements that attract our prospective students. The majority of our students are admitted though participating in the PRC National Higher Education Entrance Examination. Students who achieve the required total score for our University will be admitted pursuant to national and local admission standards and procedures. In addition, we admit a small number of students participating in the Shanghai Spring Higher Education Entrance Examination, and students from secondary vocational education institution partners. Moreover, our University admits students to our junior college programs though the PRC National Higher Education Entrance Exam and our own admission examination/procedures following the relevant laws and regulations. The student admission quota for full-time students for each school year is set and approved by the Shanghai Municipal Education Commission.

To attract more high-quality applicants, we utilize a variety of marketing and recruitment tools, which include, but are not limited to, holding program consultation sessions, advertising through various media, and sponsoring relevant industry events and athletic competitions. We also rely on relevant third-party rankings to further increase our brand awareness.

There are a number of different sources from which students at our University can receive financial aid and scholarships. In addition to applying for scholarships and grants offered by the national and local education authorities and other public authorities and entities, students with good academic performance and extracurricular activity participation can also apply for scholarships ranging from RMB500 to RMB10,000 per student per school year offered by our University. In order to help students having economic difficulties to finish their studies, we have programs in place to reduce or exempt the payment of tuition for qualifying students. During the Track Record Period, a total of 162 students received tuition fee exemptions. Certain of our school-industry collaboration partners also provide scholarships to our students, For example, Donghua Meizuan (東華美鑽), a jewelry design, manufacturing, and retail enterprise based in Shanghai, provides scholarships to qualified students enrolled in our college of gemology.

OUR TEACHERS

We believe the quality of education we provide is largely dependent on the quality of our teachers. As of September 30, 2019, our full-time teachers had an average of approximately 7.6 years of teaching experience. As of the same date, approximately 94.1% of our full-time teachers had obtained a bachelor's degree or above, and approximately 76.8% of our full-time teachers had obtained a master's degree or above. The following table sets forth a breakdown of our full-time teachers in terms of education qualification as of the dates indicated.

	Number of full-time teachers			
	As of September 30,			
Education qualification	**2016**	**2017**	**2018**	**2019**
Doctoral degree	60	83	106	134
Master's degree	319	381	411	512
Bachelor's degree	224	122	142	145
Others	15	69	44	50
Total	618	655	703	841

Teacher Recruitment

The human resources department of our University is responsible for recruiting qualified teachers. Before hiring a teacher, we consider his or her teaching experience, areas of expertise, educational background, relevant work experience, and other relevant credentials such as awards or recognitions. As we focus on providing education in the applied sciences and other practical fields and equipping our students with practical skills sought by potential employers, we prefer to retain teachers who themselves have significant industry work experience. We conduct background checks and reference checks on all newly-hired teachers. We also require applicants to teach a live class as part of their application process so we can evaluate their teaching performance. The following table sets forth the number of teachers full-time and part-time, full-time student enrollment and the teacher-to-student ratio for our University as of the dates indicated:

	School year				
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**
Full-time teachers	512	618	655	703	841
Part-time teachers	502	454	448	413	405
Total	1,014	1,072	1,103	1,116	1,246
Full-time student enrollment	14,299	15,146	16,562	17,808	19,857
Teacher-to-student ratio(1)	1:14.1	1:14.1	1:15.0	1:16.0	1:15.9

Note:

(1) We calculate our teacher-to-student ratio by dividing the number of teachers (full-time and part-time) by the number of full-time students as of September 30 of each year. This is somewhat different than the calculation method used by the relevant education authorities who determine the number of teachers to be equal to the number of full-time teachers plus 50% of the number of part-time teachers. Under the calculation method used by the relevant education authorities, our teacher-to-student ratio for 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school year would be 1:17.9, 1:18.8, 1:19.6 and 1:19.0, respectively.

As advised by our PRC Legal Advisors, the teacher-to-student ratio of our University should be maintained at a level of not less than 1:18 according to applicable rules and regulations in China. The teacher-to-student ratio of our University calculated in accordance with the method used by education authority was below the stated guidelines and thus we were not in compliance with those rules and regulations as of each of December 31, 2016, 2017 and 2018 and the nine months ended September 30, 2019. As advised by our PRC Legal Advisors, the teacher-to-student ratio is one of the Basic School Operating Condition Indicators ("Indicators") (基本辦學條件指標) under the Basic Conditions for Operating Higher Education Institutions (Trial) (普通高等學校基本辦學條件指標(試行)) (the "Conditions") promulgated by the MOE in 2004; in the event that one of the indicators of a school does not meet the relevant regulatory requirement, the school may receive a yellow card issued by the competent authority and its student admission will be subject to certain restrictions; and in the event that a school receives a yellow card for three consecutive years, it may receive a red card issued by the competent authority, in which case its student admission will be suspended. As of the Latest Practicable Date, we had not received any aforementioned yellow or red card, or been subject to any administrative penalty by the relevant education authorities in relation to our non-compliance with the teacher-to-student ratio. We, with the assistance of our PRC Legal Advisors, consulted with an official of the Shanghai Municipal Education Commission, in June 2018 to clarify what effect our teacher-student ratio being below the stated guidelines could have on our operations. Our PRC Legal Advisors advised us the Shanghai Municipal Education Commission was the competent education authority for such purposes. During the consultation, we were advised that the Indicators are only principles used by the Shanghai Municipal Education Commission to provide guidance on school operations in Shanghai. Failure to comply with such Indicators will not be deemed as non-compliance with the Conditions, and we will not be penalized for the failure to maintain such teacher-to-student ratio. Based on the forgoing, our PRC Legal Advisors are of the view that the risk that our University is penalized by the Shanghai Municipal Education Commission is relatively low.

We endeavor to continuously improve the quality of our education and the teacher-to-student ratio is one of the many metrics under consideration. However, as our teacher-to-student ratio was only slightly lower than the Indicators, we believe that our current teacher-to-student ratio does not compromise our teaching quality in any material respect and the failure to comply with the Indicators was not fundamental or material to our Group's operations. We will monitor and adjust the teacher-to-student ratio as necessary and where practicable based on the needs of our increasing student body and our University's education plans, without compromising the quality of our education or profitability. We will update the status of compliance in the interim and annual reports to be issued subsequent to the Listing.

The Sole Sponsor is of the view that our executive Directors are able to meet the competence requirements under Rules 3.08 and 3.09 of the Listing Rules for the following reasons:

- based on the Sole Sponsor's discussions with our executive Directors and our PRC Legal Advisors as well as the nature, scale, reasons and potential impact of the failure to comply with the Indicators as disclosed above, the Sole Sponsor considers that the failure to comply with the Indicators is not fundamental or material to our Group's daily operations;

- the failure to comply with the Indicators has no material impact on our business operations or financial position;

- our executive Directors will continually monitor the situation and make necessary adjustments to the extent required by relevant government authorities;

- all of our executive Directors have substantial experience in business management, in particular Mr. Zhou Xingzeng, who has extensive experience in the education industry and business management of our University; and

- as advised by our executive Directors, the failure to comply with the Indicators was not committed intentionally or wilfully.

We believe teachers are among our most valuable assets. We plan to improve the quality of our teaching staff through external recruitment and internal training. For example, we aim to attract retired and incumbent professors, academic leaders and administrators to teach and conduct academic research at our colleges. We also plan to recruit young teachers with advanced degrees as well as teachers who have extensive industry experience and have worked in large enterprises. We also plan to hire more renowned industry experts as adjunct teachers to teach advanced classes and to share their industry insights with our students and teachers.

Teacher Training Program

In 2013, we established a teachers' professional development center (教師教學發展中心) to organize and provide training to our teachers. Our training programs mainly involve organizing teachers to share their specialties with others to broaden each other's knowledge base, organizing skill competitions to incentivize teachers to improve their teaching skills, and providing training to our teachers from professional education experts on a one-on-one basis covering a broad range or topics from professional skills to mental health. In addition, to meet our education goal, which is to provide practical education focused on applied sciences, we aim to train our teachers to be "dual-qualified" teachers (雙師型教師). We published our internal guidance in 2017, encouraging all our teachers to gain industry experience through various channels, such as obtaining relevant industry licenses, applying for live work projects, and working for enterprises on a secondment basis. We established a "dual-qualified" teacher certification committee, which reviews teachers' application for such certification.

Teacher Performance Review

To ensure that we continuously provide high quality education to our students, we conduct teacher performance reviews at the end of each school year. These reviews are generally conducted by committees designated by the leaders of each of our colleges. In addition, we have teaching quality supervisors who attend classes from time to time without giving prior notifications to teachers and submit reports based on the class experience to the leaders of colleges. The committees consider a number of factors when conducting their review, including written reports submitted by each teacher summarizing their work product and professional activities in that school year, a presentation given by each teacher, and a survey of coworkers and students to collect feedback on each teacher. After fully analyzing these materials, the committees will provide a rating for each teacher, from non-competent to excellent (with only 15% of all teachers in each college being classified as excellent). Those teachers who are rated as non-competent will receive additional training and continue to be monitored by the professional development center. If their performance still does not improve, these teachers will be suspended from teaching activities and enrolled in training programs provided by our teachers' professional development center to improve their skills and knowledge.

In order to retain and attract high-quality teachers, we offer relatively competitive compensation. Our full-time teachers' compensation package typically include a base salary, a merit-based bonus, an annually fixed bonus, meal subsidies, insurances, and certain other benefits. In addition to the compensation package, we also select certain teachers to receive awards throughout the year which will have a positive impact on the merit-based bonus, including the advanced teaching award (優秀教學獎) and dean's award for excellence (優秀系主任獎).

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, including closely following the guidance issued by the MOE. We give discretion to each college to select their own teaching materials within the limits of such procedures.

Our University often uses teaching materials and textbooks authored and published by our teachers, subject to the approval by the dean's office and the special supervision committee designated by our University management team. For example, as part of our collaboration with enterprise partners, teachers at our University typically co-develop the curriculum and teaching materials with industry experts from our enterprise partners. Over the course of our history up to the Latest Practicable Date, we have co-designed approximately 54 courses with such enterprise partners and our teachers have published eight textbooks in total.

OUR SCHOOL MANAGEMENT

We have established a school management system through which we consistently manage certain aspects of our University, including, among others, market research, school administration and campus services, to support and facilitate the effective implementation of our comprehensive educational approach.

School Administration and ISO 9001 System

We have implemented a series of measures to administer our school in an efficient and coordinated manner. We understand that our management is critical to our daily operations and future expansion. In order to optimize our management system, we have implemented the ISO 9001 quality management system into our daily practice and received certification from the Shanghai Quality System Audit Center (上海質量體系審核中心) in May 2018. We believe the implementation of the ISO 9001 system helps provide us with a holistic view of our daily university management, standardize our operation procedures, and strengthen our internal control and risk management functions. We believe such a standardized management approach lowers our operating costs, elevates our corporate efficiency, and helps ensure the successful execution of our expansion plans and facilitate centralized management of an expanded school network in the future. Our Board has also approved a series of policies and procedures relating to, among other things, corporate governance, risk management, anti-bribery and conflicts of interest, which are aimed at strengthening the management and governance of our University.

Market Research

We generally conduct market research to select, design and update the majors and course offerings at our University. We keep track of and analyze our graduating students' initial employment record to keep abreast of the local employment market. Through our collaboration with private enterprises in different industries, we have the ability to identify key industry segments where we believe the demand for professional talent is strong. We also task the graduate employment department at our University with conducting market research periodically to gauge changes in market demand for skilled professionals in different industries. Our University also periodically engages a third party professional consultant to conduct additional market research.

Campus Services

The campus service arrangements at our University include meal catering services, campus stores, and medical care services for students and staff and transportation services for our staff.

Meal Catering Services

As of the Latest Practicable Date, we had five canteens on campus, the operation of all of which was outsourced to third-party catering service providers, all of whom are Independent Third Parties. We typically enter into outsourcing agreements with terms ranging from three to ten years for our canteens. We require all third-party catering service providers to obtain relevant licenses and permits required by laws and regulations. As of the Latest Practicable Date, all canteens had obtained the required licenses and permits, including a license for food operation service (食品經營許可證). For risks associated with meal catering services, please see "Risk Factors – Risks Related to Our Business and Our Industry – We outsource the meal catering and medical care services for our University to Independent Third Parties and, as a result, we cannot guarantee that the quality and price of the food/medical care services they provide are always the best available and we may be exposed to potential liabilities if food/medical care services quality does not comply with relevant standards," in this prospectus.

Campus Stores

We enter into agreements with terms ranging from one to ten years with store operators, all of which were Independent Third Parties as of the Latest Practicable Date, regarding the lease of premises to operate stores on the campus of our University. Under such agreements, we agree to lease premises to a store operator for a specified amount of rent. The store operator is obliged to obtain permits and licenses as required by relevant laws and regulations. We also have certain internal policies in place to manage and supervise the daily operation of these campus stores.

Medical Care Services

We outsource our medical care services to a professional medical care provider, Shanghai Yukang Hospital Co. Ltd. (上海御康醫院有限公司) ("Yukang") who is an Independent Third Party and has obtained the required practice licenses of medical institutions (醫療機構執業許可證). Yukang won the competitive negotiation held by our University management team and signed a service agreement for three years from July 2015. Such service agreement with Yukang was renewed for another three years upon the expiration of the first contractual term.

Our medical care clinic operates 24 hours a day and according to our internal requirements, during the daytime there will be at least three medical staff (two doctors and one nurse) onsite providing services and at least two (one doctor and one nurse) at night and on public holidays. All of the medical staff have licenses and permits required by law and regulations. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. In addition to the medical care services, medical staff in our clinic also provide seminars to give health care information to our students and teachers from time to time.

Transportation Services

We offer transportation services for our staff. As of June 30, 2019, the transportation service center of our University operated five buses and outsourced the rest of its transportation needs to qualified Independent Third Parties.

COMPETITION

The private higher education industry in China is rapidly developing. According to the Frost & Sullivan Report, the private higher education market in China is highly competitive and fragmented. We face competition from national public and private schools in China, in particular from those that operate in the same geographic area. We believe our principal competitive advantages include:

- the reputation of our University;
- our extensive operating experience;
- the high employment rate of the graduates of our college;
- the scope and quality of our education programs, services and offerings;
- overall student experience;
- students' academic performance;
- parents' satisfaction;
- our relationships with enterprise partners;
- our relationships with international partner institutions;
- our ability to attract and retain qualified teachers; and
- our research and development capabilities.

We expect the competition in the private higher education market to persist and intensify. We believe we are able to compete effectively due to our strong reputation and established programs. However, some of our existing and potential competitors, especially public schools, 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.

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 any of the years ended December 31, 2016, 2017 and 2018, or the six months ended June 30, 2019.

Our suppliers primarily consist of construction service providers, enterprise partners who provide training to our students, technology service providers, and professional service providers related to this Listing, teaching equipment suppliers. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, purchases from our five largest suppliers amounted to RMB21.4 million, RMB12.2 million, RMB81.7 million and RMB156.8 million, respectively, accounting for 22.7%, 17.8%, 47.6% and 70.1% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB5.7 million, RMB3.2 million, RMB48.7 million and RMB125.9 million accounting for 6.1%, 4.7%, 28.4% and 56.2%, respectively, of our total purchases for the relevant periods. The largest two suppliers in the year ended December 31, 2018 and the largest supplier in the six months ended June 30, 2019 were construction service providers. The amount of purchases from our five largest suppliers and from our largest supplier was significantly higher for the year ended December 31, 2018 and the six months ended June 30, 2019, due to the construction services we procured for the four buildings under construction on our current campus. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned 296 patents, 12 copyrights, seven registered trademarks and had registered four domain names. See "C. Further Information about Our Business – 2. Intellectual property rights of our Group" in Appendix V to this prospectus for more information of our registered trademarks and registered domain names.

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 adverse impact on us. 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."

AWARDS AND RECOGNITIONS

We have received numerous awards and other recognitions since our establishment in recognition of the quality of the education we provide, the graduate employment rates we achieved and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we have received:

Year	Award/ Accreditation	Awarding Organization	Awarded Entity
2019	National Advanced Unit in Campus Management of Higher Education Institutions (全國高校後勤事業發展先進單位)	China Association for Campus Management (中國教育後勤協會)	Our University

Year	Award/ Accreditation	Awarding Organization	Awarded Entity
2018	Shanghai Higher Education Institution Information Disclosure Outstanding Unit (上海市高校信息公開評議優秀單位)	Shanghai Municipal Education Commission (上海市教育委員會)	Our University
2017	Shanghai Teaching Quality Award, first and second prizes (上海市教學成果一二等獎)	Shanghai Municipal Education Commission (上海市教育委員會)	Our University
2005-2017	Shanghai Civilized Unit (上海市文明單位)	Shanghai Municipal People's Government (上海市人民政府)	Our University
2015 and 2017	National Civilized Unit (全國文明單位)	Spiritual Civilization Development Steering Commission (中央精神文明建設指導委員會)	Our University
2017	National Advanced Sports Unit (全國群眾體育先進單位)	General Administration of Sport of China (國家體育總局)	Our University
2016	Advanced University of Campus Management (高校後勤文化先進院校)	China Association for Campus Management (中國教育後勤協會)	Our University
2016	Excellent Organization Award for China Young Volunteers (中國青年志願者優秀組織獎)	China Young Volunteer Association (中國青年志願者協會)	Our University
2016	Shanghai Famous Trademark (上海市著名商標)	Shanghai Administration of Industry and Commerce (上海市工商行政管理局)	Jian Qiao Group
2013	Advanced Institution in Promoting Employment of Shanghai Municipal (上海市促進就業先進集體)	Shanghai Municipal People's Government (上海市人民政府)	Our University
2012	Top 10 Reputable Private Higher University (十大品牌民辦高校)	Sina.com (新浪網)	Our University
2011	Top 10 Most Influential Private University (十大最具社會影響力民辦大學)	Xinhuanet.com (新華網)	Our University
2011	Outstanding Private Higher Education University in China (中國民辦高等優秀院校)	the Higher Education Professional Committee of China's Non-Government Education Association (中國民辦教育協會高等教育專業委員會)	Our University

EMPLOYEES

As of December 31, 2016, 2017 and 2018, and September 30, 2019, we had 848, 899, 988 and 1,163 full-time employees, respectively. The following table sets forth the total number of employees by function as of September 30, 2019:

Function	Number of Full-Time Employees	% of Total
Executive directors and senior management	7	0.6%
Full-time teachers[1]	841	72.3%
Logistic personnel	14	1.2%
Administrative staff	213	18.3%
Accounting and finance staff	13	1.1%
Others[2]	75	6.5%
Total	1,163	100%

(1) We also employ a number of part-time teachers to teach our students. As of September 30, 2019, we employed 405 part-time teachers.

(2) Others include support staff and laboratory staff.

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, pension, medical insurance, maternity 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.

We believe the quality of our education largely depends on the quality of our teachers. We have implemented training and recruitment policies in order to uphold the quality of our teachers. See "– Our Teachers" for details of our recruitment and training policies for our teachers.

Incidents of Former Principals of Our University Occurring Outside of Our Group

According to court judgments, news articles and other public information, Mr. Jiang Jianming, a former director and principal of our University, was convicted by a court in Shanghai, the PRC, in 2017 in connection with his role as the chairman of Donghua Technology Park Company (上海東華大學科技園發展有限公司), which was controlled and managed by Donghua University (東華大學), for (i) accepting bribes from construction contractors, (ii) embezzling public funds, and (iii) misappropriating public funds during the period from 2002 to 2014. As a result of the conviction, Mr. Jiang was sentenced to 20 years of imprisonment and a fine of RMB2 million.

Donghua University is a public university in the PRC and an Independent Third Party. It operates and manages Donghua University National University Technology Park (東華大學國家大學科技園) through Donghua Technology Park Company. Jian Qiao Group, a School Sponsor, was previously the single largest shareholder of Donghua Technology Park Company and only enjoyed economic interests as a passive financial investor. Jian Qiao Group had never operated, managed or controlled Donghua Technology Park Company, and only had two out of six/seven board seats. After the completion of the demerger of Jian Qiao Group in June 2018, Jian Qiao Group ceased to be interested in Donghua Technology Park Company. Donghua University manages and controls Donghua Technology Park Company and has always been responsible for appointing its CEO, deputy CEO and chairman. Mr. Jiang was designated by Donghua University as the executive vice chairman, CEO, chairman and legal representative of Donghua Technology Park Company as a national staff member.

Mr. Jiang had only been a director from October 27, 2009 to December 19, 2013 and the principal of our University from October 8, 2010 to October 11, 2013. Other than these positions, Mr. Jiang did not hold any positions or roles in the Group and did not have any shareholding interest in our Group since its establishment. According to our University's articles of association, the board of directors of our University shall comprise of principals and principals are in charge of administrative matters in accordance with the decisions made by the board of our University. Since the basic construction and equipment costs of our University are funded by our School Sponsors initially, senior management of our University designated by our School Sponsors would be in charge of operational and financial management. Mr. Chen Shengfang (a director of Jian Qiao Group) and Ms. Wan Zhifang (financial controller of the School Sponsors) have been responsible for negotiating the sale and purchase agreements with relevant parties in respect of our Group's purchases or disposals of the land use rights, properties and assets of our University's past and present campuses, and Mr. Zhou or Mr. Zheng Xiangzhan approved and signed these agreements. At the same time, Mr. Zhou and/or Mr. Zheng Xiangzhan have been the authorized signatory(ies) of the bank accounts of our Group since openings of these bank accounts, including during the period when Mr. Jiang was the principal and director of our University. As a result, same as other former and existing principals of our University, Mr. Jiang was appointed as one of the nine/ten directors of our University to participate and vote at the board meetings without special rights, roles and responsibilities as compared to other directors, and as a principal, he was only responsible for coordination of the administrative matters of our University while Mr. Zheng Xiangzhan was at all times in charge of the operational management (i.e. logistic support, construction projects and security matters) and financial management of our University since its establishment. As a result of the role of Mr. Jiang in our University, Mr. Jiang had not been (i) involved in the entering into of (a) any construction contracts with the Group's contractors; and/or (b) any sale and purchase agreements with relevant parties (including governmental authorities) in respect of the Group's purchases or disposals of any of the land use rights/properties/assets of the University's past or present campuses; and (ii) an authorised signatory of any of the bank accounts of the Group. Mr. Jiang resigned from his positions at our University in late 2013 as he intended to devote more time on his other engagements outside of our University, including his role as full-time acting vice chairman of the China Textile Engineering Society.

Mr. Pan Yingjie, another former principal of our University from December 2013 to September 2017, was given a serious warning by the China Communist Party ("CCP") in 2016 in connection with his role as a party member of the CCP and the then principal of another public university in the PRC for using public funds for a field trip to Taiwan organised by such public university on a cruise ship for certain students and teachers in July 2013. Mr. Pan resigned from his positions at our University in September 2017 at the age of 66, due to old age.

Considering (i) our Group, School Sponsors and the Directors had no involvement in the above two incidents and (ii) the incident of Mr. Jiang Jianming or Mr. Pan Yingjie was not related to their role as the principal of our University, the Directors consider none of the incidents above has any material adverse impact on the operation, business or financial prospects of our Group. However, the Company adopted the following enhanced measures in selecting its principal in relation to the appointment of Mr. Zhu Ruiting, the current principal of our University:

- our principal selection process was conducted by the principal selection committee in an open, fair and transparent manner based on international practice;

- the principal selection committee was composed of a wider range of members, including external parties such as the chairperson of our University's consultation committee, an officer from the Shanghai Municipal Education Commission and an independent and prominent figure in the education sector;

- references were made to methods adopted by global top universities in selecting their candidates for similar positions;

- recruitment advertisements were published on two influential newspapers in China; and

- the principal was appointed upon the necessary filings with the relevant education authority

When our University considered the appointment of Mr. Zhu Ruiting, it received six resumes, including Mr. Zhu Ruiting, were shortlisted. Mr. Zhu was finally selected as the principal of our University since November 2017 based on his strong academic background, achievements in education sector, his long work experience in our University since 2003 and his role as a vice principal of our University at the time of the selection process.

PROPERTIES

As of the Latest Practicable Date, we owned two parcels of land in the PRC with a total gross site area of approximately 532,578 sq.m. and we owned 50 buildings with a total gross floor area of approximately 359,192.06 sq.m. for all of which we had received the necessary certificates and permits. In addition we had one building with a gross floor area of approximately 4,987 sq.m. for which we had not obtained a building ownership certificate and four buildings under construction in Lingang New City area, Pudong New Area, Shanghai, where the current campus of our University is located. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of October 31, 2019 was RMB5,213.0 million, according to the property valuation report prepared by Cushman & Wakefield Limited. As of the Latest Practicable Date, we also leased certain properties from Independent Third Parties as further described below.

Owned Properties

Land

In September 2015, we moved our campus from Kangqiao County (康橋鎮) to Lingang New City area (臨港新城) in Shanghai. As of the Latest Practicable Date, we owned land use rights for two parcels of land with a gross site area of approximately 532,578 sq.m. in Pudong New Area, Shanghai, the PRC where the current campus of our University is located. 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	our University	2/7 Qiu, 37 Jiefang, Shuyuan Town, Pudong New Area, Shanghai	409,151	Education	July 1, 2063
2	our University	7/3 Qiu, 38 Jiefang, Shuyuan Town, Pudong New Area, Shanghai	123,427	Education	July 1, 2063

Buildings

As of the Latest Practicable Date, we had building ownership certificates for 50 buildings with an aggregate gross floor area of approximately 359,192.06 sq.m.. These buildings are for various purposes, primarily including, classrooms, administrative buildings, a library, canteens, dormitories and a stadium. We also had a student activity center without obtaining the building ownership certificate with a gross floor area of approximately 4,987 sq.m.. We have already ceased using our student activity center.

Property defects, legal consequences and potential maximum penalties

For our student activity center, we (i) had commenced construction without obtaining the construction planning permit and the construction work commencement permit and (ii) put such center into use without passing the construction completion inspection, the fire control inspection and the environmental acceptance check. The requisite permits, inspections, acceptance check were inadvertently omitted when we commenced the construction of and put into use our student activity center which we did as quickly as possible in order to better serve the need of our students and residents in the adjacent areas. We therefore have not obtained the building ownership certificate for our student activity center as of the Latest Practicable Date. We have already ceased using our student activity center.

Our PRC Legal Advisors have advised that, according to the relevant laws and regulations, for the construction and use of our student activity center without: (i) obtaining the construction planning permit, (a) we may be subject to a fine ranging from 5% to 10% of the construction cost and ordered to rectify the impact on the planning caused by such construction, if such impact can be rectified, (b) we may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction, if such impact cannot be rectified and the building cannot be demolished; (ii) obtaining the construction work commencement permit, we may be subject to a rectification order and/or a fine ranging from 1% to 2% of the contract price of constructing the building; (iii) passing the construction completion inspection, we may be subject to a rectification order and/or a fine ranging from 2% to 4% of the contract price of constructing the building; (iv) passing the fire control inspection, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and suspension from using the building; and (v) passing the environmental acceptance check, (a) we may be subject to a rectification order and a fine ranging from RMB200,000 to RMB1,000,000, (b) if we fail to rectify the failure within the time limit, we may be subject to a fine ranging from RMB1,000,000 to RMB2,000,000, and (c) we may be ordered to stop the production or use of the premises when causing major environmental pollution or ecological damage, or may be subjected to a closure order with the prior approval of the people's government.

As a rectification step, with the assistance of our PRC Legal Advisors, we had consulted Shanghai Lingang District Development Construction Administration Committee* (上海市臨港地區開發建設管理委員會), being the competent authority for supervising the aforesaid construction and environmental compliance matters as advised by our PRC Legal Advisors, on

September 13, 2018. During the consultation, the relevant officials confirmed that, as a result of the construction and use of our student activity center without obtaining the construction planning permit and the construction work commencement permit and without passing the construction completion inspection and the environmental acceptance check, we may be subject to investigations or penalties. Considering that we have completed the construction, (i) we may be subject to an investigation or a penalty (if any) payment of which would be a prerequisite to re-applying for the construction planning permit, the construction completion inspection and the environmental acceptance check (the "Construction-Related Procedures"); (ii) we will be able to complete the Construction-Related Procedures without legal impediments if our re-application materials are complete and adequate and (iii) there will be no need for our University to re-apply for the construction work commencement permit. The relevant officials further confirmed that the competent authority currently will not require our University to demolish the student activity center nor suspend its use before the completion of all aforesaid Construction-Related Procedures.

We are required to obtain the aforementioned construction planning permit, and pass the construction completion inspection and the environmental acceptance check as a prerequisite to re-applying for passing the fire control inspection and obtaining the building ownership certificate. In addition, for using of our student activity center without passing the fire control inspection, we remain subject to the risk of a potential fine of up to RMB300,000.

During the Track Record Period and up to the Latest Practicable Date, for commencement of construction of our student activity center without obtaining the construction planning permit, we have been subject to (i) an administrative order which requiring us to rectify our failure to obtain a construction planning permit within three months and (ii) an administrative fine of RMB490,000, by Shanghai Municipal Planning, Land and Resources Administration (上海市規劃和自然資源局). As of the Latest Practicable Date, such fine had been settled, and our University had obtained the construction planning permit.

Potential impact on our operations and financial condition

As of the Latest Practicable Date, our Directors are of the view that, the lack of the aforesaid permits, inspections and acceptance check and building ownership certificate for the student activity center, either individually or collectively, does not have a material adverse effect on our business operations or financial condition as a whole, because (i) any decision to investigate or impose more penalties by the competent authorities is still pending and we plan to obtain the requisite certificate, permit, inspections, acceptance check and building ownership certificate for the student activity center as soon as practicable; (ii) the impact on our Group's operation should not be material as the student activity center only has limited use for extracurriculum activities purposes and is not critical to our business operation; (iii) the building is safe for use as our University is not required by the relevant authority to demolish the student activity center and the construction was performed by a qualified service provider. Also, we have ceased using the student activity center as a rectification measure; and (iv) we have consulted with competent governmental authority.

Remedial Actions

We have taken proactive actions to communicate with the government authorities and had a special meeting with them in relation to our student activity center in late 2018. During the meeting, the government asked the competent authorities to support our University to complete the requisite re-application procedures in order to minimize the negative effects on our students' entertainment needs. Follow the conclusion of the meeting, we plan to complete the procedures as soon as possible. As of the Latest Practicable Date, our University had obtained the construction planning permit. In addition, we had reviewed our internal control policy and our Company will engage legal counsels to provide legal opinions for properties to be constructed or acquired in future.

Our Group will undertake stringent supervisory measures with the assistance of PRC legal counsel to ensure future compliance with relevant PRC legal and regulatory requirements in the event of any new construction projects or other building maintenance work if there are any issue relating to building safety.

Views of the Sponsor

The Sponsor is of the view that the executive Directors are able to meet the character, competence and integrity requirements under Rules 3.08 and 3.09 of the Listing Rules for the following reasons:

- based on the Sponsor's discussions with our executive Directors and our PRC Legal Advisors as well as the nature, scale, reasons and potential impact of the property defects as disclosed above, the Sponsor considers that none of the property defects is fundamental or material to our daily operations;

- none of the property defects has any material impact on our business operations or financial position;

- our executive Directors have taken remedial actions to rectify the property defects. Please see "– Properties – Owned properties" for details;

- all of our executive Directors have substantial experience in business management, in particular Mr. Zhou Xingzeng, who has extensive experience in the education industry and business management of our University; and

- as advised by our executive Directors, none of the property defects was committed intentionally or wilfully.

Buildings under construction

As of the Latest Practicable Date, we had four buildings under construction with a total planned gross floor area of approximately 60,076.38 sq.m. which are intended to be used as teaching buildings and dormitories. We have obtained the requisite construction planning permits, construction work commencement permits, fire control design approvals, environment assessment approvals and passed the fire control inspection with respect to all four of such buildings. As of the Latest Practicable Date, the construction work with respect to these four buildings had been completed and these four buildings had been put to use in accordance with relevant laws and regulations. However, we are still in the process of obtaining the building ownership certificates for these buildings.

Among these four buildings under construction, we did not obtain construction work commencement permits and submit construction designs for the competent authority's review at or prior to the commencement of the construction work with respect to one dormitory and one teaching building, and we were required by the Shanghai Municipal Housing and Urban-Rural Construction Management Commission* (上海市住房和城鄉建設管理委員會) to pay a fine of RMB300,000. As of the Latest Practicable Date, such fine had been settled.

Leased properties

Properties leased from Independent Third Parties

As of the Latest Practicable Date, we leased the following properties from Independent Third Party lessors, at nil consideration as financial incentives to encourage companies' development by government in Lingang New City area (臨港新城):

No.	Lessor	Lessee	No. of Units	Gross Site Area *(sq.m.)*	Existing Use	Term
1	Shanghai Lingang District Enterprise Service Bureau* (上海市臨港地區企業服務局), an Independent Third Party	Gench WFOE	N/A	N/A	registered address	2018.10.29 – 2020.9.30
2	Shanghai Lingang Xincheng Investment and Construction Co., Ltd. (上海臨港新城投資建設有限公司), an Independent Third Party	Jian Qiao Group	1	20	office	2013.8.10 – 2033.8.9

No.	Lessor	Lessee	No. of Units	Gross Site Area	Existing Use	Term
				(sq.m.)		
3	Shanghai Lingang Xincheng Investment and Construction Co., Ltd. (上海臨港新城投資建設有限公司), an Independent Third Party	Jian Qiao Investment	1	20	office	2013.8.10 – 2033.8.9

Properties leased to Independent Third Parties

As of the Latest Practicable Date, we leased the following properties to Independent Third Party lessees:

Lessor	Lessee	No. of units	Gross site area or gross floor area	Existing use	Term
			(sq.m.)		*(years)*
our University	Independent Third Parties	25	18,680.67	stores and driving school training base	1-10

Lease registration

As of the Latest Practicable Date, lease agreements that we entered into as lessors and as lessees had not been registered with relevant PRC government authorities. Our leases typically had a lease term ranging from one to 20 years. As advised by our PRC Legal Advisors, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. However, we may be required by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As of the Latest Practicable Date, we had not received any such request from or received any notification that we would be fined by the relevant government authorities. See "Risk Factors – Risks Relating to Our Business and Our Industry – Failure to register lease arrangements with relevant PRC authorities may subject us to penalties" in this prospectus.

Regulatory Guidance Relating to the Ratios between School Site Area/Gross Floor Area and Number of Students Enrolled

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our University was subject to certain regulatory guidance requirements in relation to the prescribed ratio between our school's site area/gross floor area and the number of full-time students enrolled.

According to the Indicators for 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 the gross floor area of a higher education institution's teaching and administrative buildings and its number of full-time students should be nine to 16 sq.m. per student. As of September 30, 2016, 2017, and 2018, the ratio between the gross floor area of the teaching and administrative buildings of our University and its number of full-time students enrolled was approximately 9.5 sq.m./student, 9.1 sq.m./student, and 9.1 sq.m./student, respectively, which were in compliance with the aforesaid regulatory guidance requirement. As of September 30, 2019, the same ratio was 8.1 sq.m./student, which was lower than the aforesaid regulatory guidance requirement. The gross floor area of teaching and administrative buildings of our University which we used to calculate the ratio consists of the gross floor area of the teaching and administrative buildings we occupied and the gross floor area of any teaching and administrative buildings under construction, the construction of which is expected to completed within the same school year. In addition, under the aforesaid regulatory guidance requirement, except for sports and art schools, the ratio between a higher education institution's site area and its number of full-time students should be 54 to 59 sq.m. per student. As of September 30, 2016, 2017, 2018 and 2019, the ratio between the site area of our University and its number of full-time students enrolled was approximately 35.2 sq.m./student, 32.2 sq.m./student, 29.9 sq.m./student, and 26.8 sq.m./student, respectively, which were lower than the aforesaid regulatory guidance requirement. We report the aforementioned two ratios for each school year to Shanghai Municipal Education Commission for their review and check annually.

On June 3, 2018, with the assistance of our PRC Legal Advisors, we consulted relevant officials at Shanghai Municipal Education Commission, being competent and responsible for supervising our University. The officials shall be familiar with the regulations governing a higher education institution's site area and its number of full-time students enrolled and the implementation requirements of such regulations. Based on the foregoing, our PRC Legal Advisors are of the view that the officials have the authority to comment on whether our University is in compliance with the relevant regulations as well as their corresponding legal consequences for any non-compliance.

The competent officials in the Shanghai Municipal Education Commission confirmed that, from the inception of our University to the date of the consultation, our University has obtained and completed the required approvals, registrations and filings to engage in private educational activities and has passed each of the annual inspections conducted by Shanghai Municipal Education Commission, which has reflected our compliance with the indicators for basic conditions for operating private university since the inception of our University. The competent officials further confirmed that (i) the aforementioned ratios are only principles to guide school operation in Shanghai; and (ii) the non-compliance with such principles will not be considered as an unlawful act or subject our University to any fines or penalties and therefore result in restrictions and/or suspensions on student enrollment as well as negative effects on the regular operation of our University.

Based on the foregoing, our PRC Legal Advisors are of the view that the risk prescribed that our University will be penalized by the competent education authorities for failing to comply with the prescribed ratio between the site area/gross floor area of our University and its number of full-time students enrolled is low.

However, we will continually monitor the situation and would purchase additional land to the extent this became required by relevant government authorities.

INSURANCE

We do not maintain any business-related insurance, which is not mandatory under the PRC Laws. Furthermore, we do not maintain business interruption insurance, product liability insurance or key-man life insurance. Our Directors believe that our practice is generally consistent with the industry practice in the higher education industry in China. Nevertheless, we may be exposed to claims or liabilities due to lack of insurance. See "Risk Factors – Risks Relating to Our Business and Our Industry – We maintain limited insurance coverage" in this prospectus for more information.

LICENSES AND PERMITS

Our PRC Legal Advisors, Commerce & Finance Law Offices, have advised that during the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in China, 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	Our University	Shanghai Municipal Education Commission	November 27, 2017	August 31, 2021
Registration Certificate of Private Non-enterprise Entities	Our University	Shanghai Peoples' Affairs Bureau	August 2, 2017	August 31, 2021

Note:

(1) To maintain our private school operating license, our University is required to pass an annual inspection regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, our University had passed the latest annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have on-site medical staff at our University to handle routine medical situations involving our students. In certain serious and emergency medical situations, we promptly send our students to local hospitals for treatment. With respect to school safety, we provide security and safety services ourselves. 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 relevant laws or regulations and 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 and 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 laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. According to our PRC Legal Advisors, Commerce & Finance Law Offices, other than disclosed in this prospectus and including paragraphs headed "— Properties" and "— Our Teachers" in this section, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent business consulting firm (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in June 2018 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in December 2018. In its follow-up reviews, the Internal Control Consultant noted that we had followed all of its recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

We have designated Mr. Zheng Xiangzhan who is responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principal and vice principals of our University) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC private higher education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion, availability of financing to fund our expansion and business operations, and competition from other university operators that offer similar or higher quality of educational services. Please refer to the section headed "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see the section headed "Financial Information – Quantitative and Qualitative Disclosures about Market Risk" in this prospectus.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the operations of our University, and is in charge of managing the overall risks of our University. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition, and to enter into cooperative business relationships with third parties to launch new education programs; and

- We have made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31, 2019	2020	2021
	Non-exempt continuing connected transactions					
1	Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Non-exempt Continuing Connected Transactions

(1) Contractual Arrangements

As disclosed in the paragraph headed "Contractual Arrangements – Background of the Contractual Arrangements" in this prospectus, the PRC laws and regulations currently restrict the operation of formal higher 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 in the PRC by way of Sino-foreign ownership was granted. As a result, our Group, through our wholly-owned subsidiary, Gench WFOE, our PRC Affiliated Entities and the Registered Shareholders have entered into the Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through our PRC Affiliated Entities while complying with applicable PRC law and regulations. The Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Affiliated Entities after the Listing through Gench WFOE. As we operate our education business indirectly through our PRC Affiliated Entities and we do not hold any direct equity interest in our PRC Affiliated Entities, the Contractual Arrangements were entered into on December 11, 2018 pursuant to which all material business activities of our PRC Affiliated Entities are instructed and supervised by our Group through Gench WFOE, and all economic benefits arising from such business of our PRC Affiliated Entities are transferred to our Group.

The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreements, the School Sponsors' and Directors' Rights Entrustment Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Powers of Attorney and the Spouse Undertakings, each of which is an integral part of the Contractual Arrangements. See "Contractual Arrangements" in this prospectus for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	**Connected Relationships**
Mr. Zhou	Mr. Zhou is a Director and a substantial shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Zheng Xiangzhan and Mr. Shi Yinjie	Each of Mr. Zheng Xiangzhan and Mr. Shi Yinjie is a director of our Company, Jian Qiao Group and our University, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Zhao Donghui	Mr. Zhao Donghui is a Director of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Chen Zhiyong	Mr. Chen Zhiyong is a director of our University, and therefore connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Bao Jianmin, Mr. Chen Minghai, Mr. Wang Chengguang and Mr. Chen Shengcai	Each of Mr. Bao Jianmin, Mr. Chen Minghai, Mr. Wang Chengguang and Mr. Chen Shengcai is a director of Jian Qiao Group, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of 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 Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our PRC Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our School Sponsors' interest held by our School Sponsors at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Gench WFOE by our PRC Affiliated Entities under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief 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 Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our PRC Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Affiliated Entities to the holders of its School Sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our PRC Affiliated Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst Our University and/or Our School Sponsors and Our Company

Given that the financial results of our PRC Affiliated Entities will be consolidated into our financial results and the relationship between our PRC Affiliated Entities and our Company under the Contractual Arrangements, all agreements other than the Contractual Arrangements that may be entered into between each of our PRC Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, 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 Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Affiliated Entities can be effectively controlled by Gench WFOE or its designee, (ii) Gench WFOE or its designee can obtain the economic benefits derived from our PRC Affiliated Entities, and (iii) any possible leakages of assets and values of our PRC Affiliated Entities can be prevented, on an uninterrupted basis.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consists of seven Directors. Three 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. Zhou Xingzeng (周星增)	57	August 1999	May 2018	chairman and executive Director	overall management and strategic development of our Group	Father of Mr. Zhou Qiaoqi
Mr. Zheng Xiangzhan (鄭祥展)	62	August 1999	December 2018	executive Director and chief executive officer	overall operation of our Group	None
Mr. Shi Yinjie (施銀節)	61	August 1999	December 2018	executive Director	administrative management of our Group	None
Mr. Zhao Donghui (趙東輝)	53	December 2018	December 2018	non-executive Director	providing opinion and judgment to our Board	None
Mr. Chen Baizhu (陳百助)	56	December 2018	December 2018	independent non-executive Director	providing independent opinion and judgment to our Board	None
Mr. Hu Rongen (胡戎恩)	50	December 2018	December 2018	independent non-executive Director	providing independent opinion and judgment to our Board	None
Ms. Liu Tao (劉濤)	55	December 2018	December 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 the senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as current position	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Dr. Zhu Ruiting (朱瑞庭)	53	January 2003	November 2017	principal of our University	overall operation of our University	None
Ms. Wan Zhifang (萬志芳)	43	August 1999	December 2018	deputy chief executive officer and chief financial officer of our Company	financial strategic planning and financial management of our Group	None
Mr. Wang Bangyong (王邦永)	38	August 2005	December 2018	deputy chief executive officer of our Company and proposed institution representative of California Gench College	administrative and public relations management of our Group	None
Mr. Zhou Qiaoqi (周喬琪)	32	September 2017	December 2018	joint company secretary and chief investment officer of our Company, and proposed president of California Gench College	overall corporate governance, investment and overseas operations management of our Group	Son of Mr. Zhou Xingzeng

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xingzeng (周星增), aged 57, the founder of our Group, the chairman of the Board and a Controlling Shareholder, was appointed as a Director on May 8, 2018 and re-designated as an executive Director of our Company on December 20, 2018. Mr. Zhou has also been a director of Jian Qiao Group since November 2000, a director of Jian Qiao Investment since August 1999, and a director of our University since its establishment, respectively. He is responsible for overall management and strategic development of our Group.

Mr. Zhou has more than 28 years of experience in education. The following table shows the key work experience of Mr. Zhou:

Period	Company	Position	Roles and responsibilities
September 1983 to December 1988	Guizhou Institute of Technology* (貴州工學院), currently known as Guizhou University (貴州大學)	teacher	teaching
January 1989 to December 1992	Wenzhou University (溫州大學), in Zhejiang Province, the PRC	head of the finance and accounting teaching and research office	organizing teaching activities and day-to-day management of the teaching and research section
January 1993 to June 1999	Tengen Group Co., Ltd 11th branch* (天正集團有限公司十一分公司)	general manager	overall management, major decision making and strategic planning
August 1999 to present	Jian Qiao Investment	successively served as chairman and director	overall management and strategic planning of Jian Qiao Investment
June 2000 to present	our University	chairman and director	overall management and strategic planning of our University

Period	Company	Position	Roles and responsibilities
November 2000 to present	Jian Qiao Group	chairman and director	overall management and strategic planning of Jian Qiao Group
December 2018 to present	our Company	chairman and executive Director	overall management and strategic development of our Group

The following table shows the major offices of Mr. Zhou:

Period	Organization	Experience
February 2003 to present	Shanghai Municipal People's Congress (上海市人民代表大會)	deputy
December 2004 to present	Shanghai Children's Health Foundation* (上海市兒童健康基金會)	vice chairman
April 2007 to April 2017	Shanghai Committee of The China Democratic League (中國民主同盟上海市委員會)	vice-chairman
January 2009 to present	The China Association for Non-Government Education (中國民辦教育協會)	vice president
April 2012 to present	Shanghai Association for Non-Government Education (上海市民辦教育協會)	vice president

Mr. Zhou did not hold any directorship in any listed companies during the last three years.

Mr. Zhou has received various awards and recognitions. The following table sets forth some of the awards and recognitions he has received:

Year	**Award/Accreditation**	**Awarding Organization**
March 2004	Shanghai Top Ten Influential Young Individuals to the Economy* (上海市十大青年經濟人物)	Shanghai Young Entrepreneur Association* (上海市青年企業家協會), Youth Newspaper* (青年報社), Wen Wei Po (文匯報) and four other organizations jointly
January 2006	Star Philanthropist in Shanghai* (上海市慈善之星)	Shanghai Charitable Foundation United Way Fund (上海市慈善基金會)
June 2006	Outstanding Friend of Party Building* (優秀黨建之友)	CPC Shanghai Social Work Committee* (中共上海市社會工作委員會)
September 2006	Advanced Individual in Building a Moderately Prosperous Society in All Respects in China* (全國全面建設小康社會先進個人)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
January 2009	Special Award for Earthquake Relief Donation* (抗震救災捐贈特別獎)	Shanghai Municipal Bureau of Civil Affairs (上海市民政局)
November 2009	Distinguished builder of Socialism with Chinese Characteristics* (優秀中國特色社會主義事業建設者)	The United Front Work Department of CPC Central Committee (中國共產黨中央委員會統一戰綫工作部), Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) and other three organizations
May 2011	Advanced Individual* (先進個人)	China Democratic League Central Committee (中國民主同盟中央委員會)

Year	Award/Accreditation	Awarding Organization
June 2012	Lifetime Honorary Award* (終身榮譽獎)	Shanghai Wenzhou Youth Federation* (上海溫州青年聯合會)
June 2013	Advanced Individual in Conscription Work* (徵兵工作先進個人)	Shanghai Municipal People's Government (上海市人民政府) and Chinese People's Liberation Army Shanghai Garrison* (中國人民解放軍上海警備區) jointly
January 2016	Star of Caring for Children's Health Charity* (關愛兒童健康公益之星)	Shanghai Children's Health Foundation (上海市兒童健康基金會)

Mr. Zhou graduated as an undergraduate in industrial finance and accounting (工業財會) from Jiangxi Finance and Economics College* (江西財經學院), currently known as Jiangxi University of Finance and Economics (江西財經大學), in Jiangxi Province, the PRC in July 1983.

Mr. Zheng Xiangzhan (鄭祥展), aged 62, a Controlling Shareholder, joined our Group in August 1999 and was appointed as an executive Director and the chief executive officer of our Company on December 20, 2018. Mr. Zheng has also been a director of Jian Qiao Group since November 2000 and a director of our University since its establishment, respectively. He is responsible for the overall operation of our Group.

Mr. Zheng has more than 19 years of experience in education. The following table shows the key work experience of Mr. Zheng:

Period	Company	Position	Roles and responsibilities
August 1999 to present	Jian Qiao Investment	successively served as general manager, director, chairman and supervisor	supervision of financial management and senior management execution
June 2000 to present	our University	concurrently/ successively served as vice chairman, director, deputy principal and financial controller	operational and financial management

Period	Company	Position	Roles and responsibilities
November 2000 to present	Jian Qiao Group	vice chairman, director and president	overall management, major decision making and strategic planning
December 2018 to present	our Company	executive Director and chief executive officer	overall operation of our Group

The following table shows the major offices of Mr. Zheng:

Period	Organization	Experience
March 2003 to July 2009	Shanghai Nanhui District Municipal People's Congress* (上海市南匯區人民代表大會), currently known as Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy
July 2009 to January 2017	Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy

Mr. Zheng did not hold any directorship in any listed companies during the last three years.

Mr. Zheng was accredited as Advanced Individual in the Shanghai United Front* (上海市統一戰線先進個人) by the United Front Work Department of the CPC of Shanghai* (中共上海市委統戰部) and Shanghai Human Resources Bureau* (上海市人事局) in August 2006.

Mr. Zheng obtained a master's degree in management at Shanxi University (山西大學) in Shanxi Province, the PRC in July 2005.

Mr. Shi Yinjie (施銀節), aged 61, a Controlling Shareholder, joined our Group in August 1999 and was appointed as an executive Director of our Company on December 20, 2018. Mr. Shi has also been a director of Jian Qiao Group since November 2000 and our University since its establishment, respectively. He is responsible for the administrative management of our Group.

Mr. Shi has more than 19 years of experience in education. The following table shows the key work experience of Mr. Shi:

Period	Company	Position	Roles and responsibilities
January 1991 to December 1999	Dianguang Explosion Protection Technology Co., Ltd (電光防爆科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002730)	general manager	day-to-day management
August 1999 to September 2008	Jian Qiao Investment	concurrently/successively served as deputy general manager and director	day-to-day management of the board
June 2000 to present	our University	director	day-to-day management of the board of our University
November 2000 to present	Jian Qiao Group	vice chairman and director	strategic planning, overall management supervision and corporate governance implementation
December 2018 to present	our Company	executive Director	administrative management of our Group

Mr. Shi did not hold any directorship in any listed companies during the last three years.

Mr. Shi completed the senior management MBA core courses (高級經理MBA核心課程) in Fudan University (復旦大學) in Shanghai, the PRC, in August 2003.

Non-executive Director

Mr. Zhao Donghui (趙東輝), aged 53, joined our Group as a shareholder of Jian Qiao Group in March 2018 and was appointed as a non-executive Director of our Company on December 20, 2018. He is responsible for providing opinion and judgment to our Board.

The following table shows the key work experience of Mr. Zhao:

Period	Company	Position	Roles and responsibilities
October 2003 to present	Zhejiang Fangzheng Industrial Co. Limited* (浙江方陣實業有限公司), a company primarily engaged in building material sales	chairman	overall management, major decision making and strategic planning
January 2010 to present	Changjiu Industry Group Co. Limited* (長九實業集團有限公司), a company primarily engaged in real estate development and commercial hotels	chairman	overall management, major decision making and strategic planning
December 2018 to present	our Company	non-executive Director	providing opinion and judgment to our Board

Mr. Zhao did not hold any directorship in any listed companies during the last three years.

Mr. Zhao obtained the qualification as a senior economist granted by Zhejiang Province Human Resources Bureau* (浙江省人事廳), currently known as Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳), in December 2005. He graduated as an undergraduate in civil engineering from Southwest University of Science and Technology (西南科技大學) in Sichuan Province, the PRC in January 2006.

Independent non-executive Directors

Mr. Chen Baizhu (陳百助), aged 56, was appointed as an independent non-executive Director of our Company on December 20, 2018.

The following table shows the key work experience and major offices of Mr. Chen:

Period	Company/Organization	Position/Experience
1994 to present	University of Southern California in California, the US	professor
May 2008 to November 2014	Aegon-Industrial Fund Management Co., Ltd. (興業基金管理有限公司), a company primarily engaged in investment and financial services	independent director
December 2018 to present	our Company	independent non-executive Director

Mr. Chen did not hold any directorship in any listed companies during the last three years.

Mr. Chen was awarded the 2002-2003 Golden Apple Teaching Award by Marshall School of Business of University of Southern California.

Mr. Chen graduated from Fudan University (復旦大學) in Shanghai, the PRC with a bachelor's degree in science in July 1985 and graduated from University of Rochester in the State of New York, the US with the doctor of philosophy degree in May 1992.

Mr. Hu Rongen (胡戎恩), aged 50, was appointed as an independent non-executive Director of our Company on December 20, 2018.

The following table shows the key work experience of Mr. Hu:

Period	Company	Position
July 2001 to September 2007	Shanghai University of Political Science and Law (上海政法學院)	deputy director of marketing department
October 2007 to September 2008	Doctor service group in western district* (西部博士服務團) Prefectural Administrative Office in Tongren District* (銅仁地區行政公署)	specialist assistant (專員助理)
October 2009 to May 2015	Shanghai University of Political Science and Law (上海政法學院)	director of training department
June 2015 to present	Shanghai University of Political Science and Law (上海政法學院)	dean of the faculty of financial law
December 2018 to present	our Company	independent non-executive Director

Mr. Hu did not hold any directorship in any listed companies during the last three years.

Mr. Hu was accredited as one of Top 10 Outstanding Youths* (十大傑出青年) in Shanghai Judicial Administration System* (上海司法行政系統) by Political Department of Shanghai Bureau of Justice* (上海司法局政治部) in April 2009.

Mr. Hu graduated from National Court Cadre Amateur Law University* (全國法院幹部業餘法律大學), currently known as National Judges College (國家法官學院), in Beijing, the PRC in September 1988. He also graduated as an undergraduate in law in July 1996 and with a master's degree in law in July 2000, and a doctoral degree in law in July 2006 from Peking University (北京大學) in Beijing, the PRC.

Ms. Liu Tao (劉濤), aged 55, was appointed as an independent non-executive Director of our Company on December 20, 2018.

The following table shows the key work experience of Ms. Liu:

Period	Company	Position
August 2001 to present	Shanghai Jiao Tong University (上海交通大學)	associate professor of Antai College of Economics & Management
September 2015 to present	Glorious Property Holdings Ltd. (恒盛地產控股有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 00845)	independent non-executive director
May 2016 to present	Shanghai SafBon Water Service (Holding) Inc. (上海巴安水務股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300262)	independent director
June 2017 to present	Shanghai No. 1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600833)	independent director
August 2017 to present	Zhe Jiang Songyuan Automotive Safety Systems. Co., Ltd. (浙江松原汽車安全系統股份有限公司), a company primarily engaged in developing and manufacturing automobile safety belts	independent non-executive director

Period	Company	Position
February 2018 to present	Changjiang Investment Industrial Co., Ltd.* (長江投資實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600119)	independent director
May 2018 to present	Shanghai Jielong Industry Group Co., Ltd. (上海界龍實業集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600836)	independent director
December 2018 to present	our Company	independent non-executive Director

Save as disclosed above, Ms. Liu did not hold directorships in other listed companies during the last three years.

Ms. Liu has received several recognitions and awards related to teaching. From 2006 to 2018, Ms. Liu was awarded the Teaching Excellence Award of Antai College of Economics & Management* (安泰經管學院教學優秀獎), the Most Welcomed MBA Teacher of Antai College of Economics & Management* (安泰經管學院年度最受MBA學生歡迎教師獎) and Nomination Award of Teaching and Education Award of Shanghai Jiao Tong University* (上海交通大學教書育人獎提名獎).

Ms. Liu graduated from Shaanxi Institute of Finance* (陝西財經學院), currently known as School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院), in Shaanxi Province, the PRC with a bachelor's degree in economics (經濟學) in July 1986, and a master's degree in economics in July 1989.

SENIOR MANAGEMENT

Dr. Zhu Ruiting (朱瑞庭), aged 53, joined our Group in January 2003 and was appointed as a professor of our University in January 2007 and the principal of our University in November 2017. He is responsible for the overall operation of our University.

Dr. Zhu has more than 20 years of experience in teaching and academic research. The following table shows the key work experience and major offices of Dr. Zhu:

Period	Company/Organization	Position/Experience
November 1991 to October 1995	Wenzhou University (溫州大學), in Zhejiang Province, the PRC	lecturer
January 2003 to present	our University	concurrently/successively served as professor, dean of commerce department, head of research department, vice principal and principal
March 2016 to present	Expert Committee for China Association of Trade in Services* (中國服務貿易協會專家委員會)	vice chairman
July 2017 to present	Jiangxi University of Finance and Economics (江西財經大學), in Jiangxi Province, the PRC	part-time tutor
December 2017 to present	The Chinese People's Political Consultative Conference (CPPCC) Shanghai Committee (中國人民政治協商會議上海市委員會)	member
April 2018 to present	Eighth council of the China Economics Association* (中國商業經濟學會第八屆理事會)	standing director

Period	Company/Organization	Position/Experience
September 2018 to present	China Humanities and Social Sciences Journal Evaluation Expert Committee of China Social Science Evaluation Institute* (中國社會科學評價研究院中國人文社會科學期刊評價專家委員會)	member

Dr. Zhu did not hold any directorship in any listed companies during the last three years.

Dr. Zhu has received several awards and recognitions in recognition of his achievement in education. The following table sets forth some of the awards and recognition he has received:

Year	Award/Accreditation	Awarding Organization
September 2004	Shanghai Cultivate Talent Award* (上海市育才獎)	Shanghai Municipal Education Commission (上海市教育委員會), Shanghai Education Development Foundation (上海市教育發展基金會) and Shanghai Teacher's Union (中國教育工會上海市委員會) jointly
November 2008	Baosteel Excellent Teacher Award* (寶鋼優秀教師獎)	Baosteel Education Foundation (寶鋼教育基金會)
September 2009	Shanghai Cultivate Talent Award* (上海市育才獎)	Shanghai Municipal Education Commission (上海市教育委員會) and Shanghai Education Development Foundation (上海市教育發展基金會) jointly

Dr. Zhu graduated as an undergraduate in economic management in July 1986 from Hangzhou University, currently known as Zhejiang University (浙江大學) in Zhejiang Province, the PRC, and obtained a master's degree in economics from Shanghai Academy of Social Science (上海社會科學院) in Shanghai, the PRC in July 1989. He also graduated from University of Marburg in Marburg Town, Germany with a doctoral degree in economics in June 2001.

Ms. Wan Zhifang (萬志芳), aged 43, joined our Group in August 1999 and was appointed as the deputy chief executive officer and chief financial officer of our Company on December 20, 2018. Ms. Wan has also been the vice president of Jian Qiao Group since September 2017, the financial controller of Jian Qiao Group and Jian Qiao Investment since August 2005, respectively. She is responsible for financial strategic planning and financial management of our Group.

Ms. Wan has more than 20 years of experience in financial management. The following table shows the key work experience of Ms. Wan:

Period	**Company**	**Position**
August 1999 to present	Jian Qiao Investment	successively served as financial manager and financial controller
November 2000 to present	Jian Qiao Group	successively served as financial manager, financial controller and vice president
December 2018 to present	our Company	deputy chief executive officer and chief financial officer

Ms. Wan did not hold any directorship in any listed companies during the last three years.

Ms. Wan obtained the qualification as a Certified Financial Manager by International Managers Association (國際經理人協會) in March 2006, and the qualification as a senior accountant by National Personnel Exchange Center* (全國人才流動中心) in January 2012 and passed the fund qualification examination by Asset Management Association of China (中國證券投資基金業協會) in September 2017. Ms. Wan obtained a master's degree in accounting from Fudan University (復旦大學) in Shanghai, the PRC in June 2010 and obtained a master's degree in EMBA from Shanghai Jiao Tong University (上海交通大學) in Shanghai, the PRC in June 2017.

Mr. Wang Bangyong (王邦永), aged 38, joined our Group in August 2005 and was appointed as the deputy chief executive officer of our Company on December 20, 2018 and proposed institution representative of California Gench College in November 2018. Mr. Wang has also been the assistant to the chairman of our University since November 2011 and the secretary of the board of our University since March 2011, and assistant to chairman of Jian Qiao Group since June 2011, respectively. He is responsible for administrative and public relations management of our Group.

Mr. Wang has more than 14 years of experience in education. The following table shows the key working experience and major offices of Mr. Wang:

Period	Company/Organization	Position/Experience
August 2005 to present	our University	successively/concurrently served as secretary of the board and assistant to the chairman
June 2011 to present	Jian Qiao Group	assistant to chairman
January 2017 to present	Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy
December 2018 to present	our Company	deputy chief executive officer of the Company and proposed institution representative of California Gench College

Mr. Wang did not hold any directorship in any listed companies during the last three years.

Mr. Wang was awarded the Shanghai May Fourth Youth Medal* (上海市青年五四獎章) by Communist Youth League Shanghai Committee* (共青團上海市委員會) and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) jointly, in April 2017.

Mr. Wang graduated from Fudan University (復旦大學) in Shanghai, the PRC with a bachelor's degree in law in July 2005, obtained a master's degree in public management from Fudan University (復旦大學) in June 2011, and has been studying at East China Normal University (華東師範大學) in Shanghai, the PRC for a doctoral degree in education leadership and management since July 2016.

Mr. Zhou Qiaoqi (周喬琪), aged 32, joined our Group in September 2017 and was appointed as the joint company secretary and chief investment officer of our Company, and the proposed president of California Gench College on December 20, 2018, respectively. Mr. Zhou Qiaoqi has also been the assistant to the chairman of Jian Qiao Group since September 2017. He is responsible for overall corporate governance, investment and overseas operations management of our Group.

The following table shows the key work experience and major offices of Mr. Zhou Qiaoqi:

Period	Company/Organization	Position/Experience
October 2012 to July 2013	Shanghai Tiantian Fund Distribution Co., Ltd (上海天天基金銷售有限公司), a fund sales company	fund researcher
August 2013 to March 2015	Allied Fortune Management Ltd (聯裕管理有限公司), an asset management company	vice president
April 2017 to present	Beta Gamma Sigma	lifetime member
September 2017 to present	Jian Qiao Group	assistant to the chairman
January 2018 to present	Shanghai Youth Entrepreneurs Association* (上海市青年企業家協會)	member
December 2018 to present	our Company	joint company secretary and chief investment officer of our Company, and proposed president of California Gench College

Mr. Zhou Qiaoqi did not hold any directorship in any listed companies during the last three years.

Mr. Zhou Qiaoqi passed the fund qualification examination by Asset Management Association of China (中國證券投資基金業協會) in September 2017 and has become a Chartered Financial Analyst Charter-holder since April 2019. Mr. Zhou Qiaoqi graduated from Fudan University (復旦大學) in Shanghai, the PRC with bachelor of science in information and computing science degree in July 2010 and University of Southern California in Los Angeles, California, the US with a master of science in mathematical finance degree in May 2012 and master of business administration degree in August 2017.

JOINT COMPANY SECRETARIES

Mr. Zhou Qiaoqi (周喬琪), aged 32, was appointed as one of the joint company secretaries of our Company on December 20, 2018. For details of Mr. Zhou Qiaoqi, please see the paragraph headed "– Senior Management" in this section.

Mr. Wong Yu Kit (黃儒傑) was appointed as the other joint company secretary of our Company on December 20, 2018 to assist Mr. Zhou Qiaoqi in discharging his duties as a company secretary including compliance matters relating to the Listing Rules and other Hong Kong regulatory requirements for a period of three years commencing from the Listing Date.

Mr. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over ten years of experience in the corporate service field. Mr. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. He also obtained a bachelor's degree in the Business Administration and Management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. He is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualification of joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Joint company secretaries" in this prospectus.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Ms. Liu Tao, Mr. Hu Rongen and Mr. Chen Baizhu. The chairman of the audit committee is Ms. Liu Tao.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, to 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. Hu Rongen, Mr. Zheng Xiangzhan and Ms. Liu Tao. The chairman of the remuneration committee is Mr. Hu Rongen.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Zhou Xingzeng, Mr. Hu Rongen and Mr. Chen Baizhu. The chairman of the nomination committee is Mr. Zhou Xingzeng.

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 the associated 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. Our nomination committee will: (1) 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 (2) 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, and the six months ended June 30, 2019, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB2,394,000, RMB2,359,000, RMB2,374,000 and RMB1,321,000, respectively.

For the three years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was RMB1,565,000, RMB1,678,000, RMB2,280,000 and RMB891,000, respectively.

During the Track Record Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 will be approximately RMB2,531,740.

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 December 19, 2019. For further details, see "Appendix V – Statutory and General Information – F. Share Option Scheme" to this prospectus.

Save as disclosed above, no other payments had been made, or are payable, by any member of the Group to the 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 ADVISOR

Our Company has appointed TC Capital International Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor 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 TC Capital International 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.

To the best knowledge of our Directors, 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 the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		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**
Mr. Zhou	Interest in a controlled corporation[(2)]	105,450,000	26.36%
She De Limited	Beneficial owner[(2)]	66,000,000	16.50%
Gan En Limited	Beneficial owner[(2)]	39,450,000	9.86%
Mr. Zheng Xiangzhan	Interest in a controlled corporation[(3)]	30,600,000	7.65%
Ze Ren Limited	Beneficial owner[(3)]	30,600,000	7.65%
Mr. Zhao Donghui	Interest in a controlled corporation[(4)]	30,000,000	7.50%
Ai Xin Limited	Beneficial owner[(4)]	30,000,000	7.50%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Zhou is the sole shareholder of She De Limited and Gan En Limited and he is therefore deemed to be interested in the Shares held by She De Limited and Gan En Limited upon the Listing.

(3) Mr. Zheng Xiangzhan is the sole shareholder of Ze Ren Limited and he is therefore deemed to be interested in the Shares held by Ze Ren Limited upon the Listing.

(4) Mr. Zhao Donghui is the sole shareholder of Ai Xin Limited and he is therefore deemed to be interested in the Shares held by Ai Xin Limited upon the 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 our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the controlling shareholders of our Company will, in aggregate, control the exercise of voting rights of approximately 38.29% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

Information on Other Companies Owned by our Controlling Shareholders

We currently engage in the provision of private formal higher education. Other than their interest in our Group, our Controlling Shareholders also hold direct or indirect interests in companies outside of our Group, which engage in other businesses not related to higher education such as information technology, chemical technology, energy and real estate development. Further, our Controlling Shareholders indirectly through Jian Zhi Qiao Development and Jian Zhi Qiao Management held interests in companies outside of our Group which are engaged in kindergarten businesses and other businesses not related to higher education, such as hotel management, energy, real estate development and finance.

These businesses are not included in our Group primarily because they are not formal higher education and operation of these businesses involves resources and personnel that substantially different from operation of our University operated by our Group. Our Directors are of the view that the business activities of these companies outside our Group are clearly delineated from those of our Group and the potential competition between them is minimal.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-competition on December 19, 2019 in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The non-competition undertaking above does not apply to:

(a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which our Controlling Shareholder(s) (or his/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or

(b) any interests in the shares of any member of our Group; or

(c) interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:

(i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(ii) the total number of the shares held by our Controlling Shareholders and/or its/his respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or its/his respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and its/his respective associates in aggregate; and

(iii) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his associates still holds directly or indirectly an equity interest in our Company; and (iii) our Controlling Shareholders and/or its/his respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Under the Contractual Arrangements, each of Mr. Zhou, Mr. Zheng Xiangzhan and Mr. Shi Yinjie has also provided certain non-competition undertakings in favour of our Company. See "Contractual Arrangements – Operation of the Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – (1) Business Cooperation Agreements" for details of the non-competition undertaking provided by Mr. Zhou, Mr. Zheng Xiangzhan and Mr. Shi Yinjie as Registered Shareholders under the Contractual Arrangements.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the Global Offering:

Management Independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Each of Mr. Zhou, Mr. Zheng Xiangzhan and Mr. Shi Yinjie is an executive Director and a Controlling Shareholder of our Company. Mr. Zhou is also the chairman of the Company.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he 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 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 its or his respective associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their associates upon the Listing.

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 non-trade related amounts due to/from our Controlling Shareholders and/or their respective associates, and all such outstanding balances have been fully settled during the Track Record Period. See also note 32 to the "Accountants' Report of our Group" in Appendix I to this prospectus for more information. In addition, certain of our Group's bank and other borrowings were guaranteed by our Controlling Shareholders and/or their respective associates over the Track Record Period. All such guarantees have been or will be released or replaced with guarantees from our Group at or prior to the Listing.

Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective 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. Zhou, Mr. Zheng Xiangzhan and Mr. Shi Yinjie, confirms that he 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 Deed of Non-competition;

(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 Deed of Non-competition;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and

(d) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized Share Capital:

		(HK$)
500,000,000	Shares	5,000,000

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:		*HK$*	**Approximate percentage of issued share capital** *(%)*
10,000	Shares in issue as of the date of this prospectus	100	0.0025
299,990,000	Shares to be issued under the Capitalization Issue	2,999,900	74.9975
100,000,000	Shares to be issued under the Global Offering	1,000,000	25.00
400,000,000	Shares in total	4,000,000	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**
		HK$	*(%)*
10,000	Shares in issue as of the date of this prospectus	100	0.0024
299,990,000	Shares to be issued under the Capitalization Issue	2,999,900	72.2867
115,000,000	Shares to be issued under the Global Offering	1,150,000	27.7109
415,000,000	Shares in total	4,150,000	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 15,000,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

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 December 19, 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 nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed "Appendix V – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholders of our Company passed on December 19, 2019" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may 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 recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in 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 Company's 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 of our Company passed on December 19, 2019" in this prospectus.

You should read the following discussion and analysis with our consolidated financial statements and related notes, included in the Accountants' Report sets out in Appendix I to this prospectus. The Accountants' Report contains our audited consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019. The Accountants' Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2016, 2017 and 2018 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We operate the largest private university in Shanghai, which is also a leading private university in the Yangtze River Delta. According to the Frost & Sullivan Report, our University ranked first in terms of full-time student enrollment in the 2018/2019 school year among private higher education providers in Shanghai. Our overall full-time student enrollment grew from 14,299 in the 2015/2016 school year to 17,808 in the 2018/2019 school year. As of September 30, 2019, our overall full-time student enrollment was 19,857.

We experienced steady growth in our revenue and gross profit during the Track Record Period. Our revenue increased from RMB291.7 million for the year ended December 31, 2016 to RMB357.0 million for the year ended December 31, 2017, and further to RMB424.6 million for the year ended December 31, 2018. Our revenue increased from RMB216.5 million for the six months ended June 30, 2018 to RMB254.2 million for the same period in 2019. Our gross profit increased from RMB124.9 million for the year ended December 31, 2016 to RMB163.4 million for the year ended December 31, 2017, and further to RMB222.2 million for the year ended December 31, 2018. Our gross profit increased from RMB116.2 million for the six months ended June 30, 2018 to RMB147.3 million for the same period in 2019. Our profit and comprehensive income increased from RMB12.9 million for the year ended December 31, 2016 to RMB46.0 million for the year ended December 31, 2017, and further to RMB108.6 million for the year ended December 31, 2018. Our profit and comprehensive income increased from RMB50.1 million for the six months ended June 30, 2018 to RMB81.0 million for the same period in 2019.

BASIS OF PRESENTATION

Pursuant to the Corporate Reorganization, our Company became the holding company of the companies now comprising our Group on December 11, 2018. As the insertion of new holding companies and the Contractual Arrangements have not resulted in a change of respective voting and beneficial interests, the financial statements were 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.

Due to regulatory restrictions on foreign ownership of schools in China, the provision of higher education services by our Group is carried out by PRC Affiliated Entities. The wholly-owned subsidiary of our Company, Gench WFOE, has entered into the Contractual Arrangements with, among others, our PRC Affiliated Entities and Registered Shareholders. The Contractual Arrangements enable Gench WFOE to exercise effective control over our PRC Affiliated Entities and obtain substantially all economic benefits of our PRC Affiliated Entities. Accordingly, our Company regards our PRC Affiliated Entities as indirect subsidiaries for the purposes of the financial statements and the PRC Affiliated Entities are consolidated in the financial statements continuously. See "Contractual Arrangements" in this prospectus.

As part of the Corporate Reorganization, Jian Qiao Group has undergone the Demerger whereby Jian Qiao Group was divided into two entities: (i) Jian Qiao Group and (ii) Jian Zhi Qiao Development. After the Demerger, Jian Qiao Group remains a subsidiary of our Group, and Jian Zhi Qiao Development is not part of our Group but is treated as a related party of our Group. The demerger process was approved by the relevant government authorities and completed on June 14, 2018, and the registered capital of Jian Qiao Group after the Demerger was RMB175.0 million. In addition, Jian Qiao Investment has undergone a demerger process whereby Jian Qiao Investment was divided into two entities: (i) Jian Qiao Investment and (ii) Jian Zhi Qiao Management. After the Demerger, Jian Qiao Investment remains a subsidiary of our Group, and Jian Zhi Qiao Management is not part of the Group but treated as a related party of our Group. The demerger process was approved by the relevant government authorities and completed on June 12, 2018, and the registered capital of Jian Qiao Investment after the Demerger was RMB37.5 million. The financial information of our Group is presented as if the corporate structure following such demerger processes, being part of the Corporate Reorganization, had existed and completed at the beginning of the Track Record Period.

For the purpose of preparing our financial statements, we assume the splitting and grouping of assets and liabilities had happened at the beginning of the Track Record Period. The grouping and splitting of assets of Jian Qiao Group and Jian Qiao Investment (the predecessor companies) as of December 31, 2016 and 2017 was prepared according to business nature. Generally, assets and liabilities of our higher education business on the balance sheets of the predecessor companies were grouped under Jian Qiao Group and Jian Qiao Investment, while assets and liabilities of our non-higher education businesses were grouped under the Spun-off Parents for the purpose of the Demerger. See "History and Corporate Structure – History of Our School Sponsors" for the details of the Demerger, and "– Discussion of Selected Items for Our Consolidated Statements of Financial Position – Due from/to related companies" for details of the resultant balances.

The consolidated statements of profit or loss and other comprehensive income, 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 companies now comprising our Group from the earliest date presented. The consolidated statements of financial position of the Group as of December 31, 2016, 2017, 2018, and June 30, 2019 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Corporate Reorganization.

All intra-group transactions and balances have been eliminated on consolidation in full.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education in China

Demand for private higher education in China is a function of a number of factors, including the level of expendable income of urban households on education, and the size of the school-age population in the future. Our business has 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 economy of China has continued to grow over the past five years, its per capita nominal GDP has also increased at a fast pace. Per capita nominal GDP in China grew from RMB47,005 in 2014 to RMB64,644 in 2018, representing a CAGR of approximately 8.3%, and is expected to reach RMB94,783 in 2023, representing a CAGR of 8.0% from 2018 to 2023. According to the Frost & Sullivan Report, Chinese parents have historically placed a high value on their children's education, and they are willing to invest significantly to ensure their children will receive high-quality education.

The growth in the urban population in China will likely affect the demand for private education in the country. Historically, there had been a decrease in the number of school-age children and a general aging of the population relating to the "one-child policy". According to the Frost & Sullivan Report, the aggregate school-age population of China decreased from 299.6 million children in 2014 to 288.5 million children in 2018. According to the Frost & Sullivan Report, the change in the university-age population (between 18 and 21) was even more notable with the number of such individuals falling from 75.9 million in 2014 to 59.9 million in 2018, and it is expected to continue decreasing and reach 55.5 million in 2022. According to the Frost & Sullivan Report, the university-age population is expected to slightly increase to 56.0 million in 2023, however, as a result of a series of changes in China's population policy, including replacing the "one-child policy" with a universal "two-child policy" in 2015, the number of school-age children has begun to stabilize and is expected to rise in the future. According to the Frost & Sullivan Report, the school-age population of China is expected to increase from 288.5 million in 2018 to 292.2 million in 2023, representing a CAGR of 0.3%. As such demographic changes work their way through the population, changes in the higher education age group are expected to follow.

Despite such population challenges, revenue generated by private higher education in China increased from RMB82.9 billion in 2014 to RMB118.0 billion in 2018, representing a CAGR of 9.2%, and it is expected to reach RMB163.7 billion in 2023, representing a CAGR of 6.8%, according to the Frost & Sullivan Report. We similarly were able to grow both our revenue and student enrollment during the Track Record Period. We believe the demand for private higher education will be even higher in the medium term, as the increased number of children born after the promulgation of the "two-child policy" reach their adulthood.

Student Enrollment Levels

Our revenue generally depends on the number of students enrolled at our University and the level of tuition and boarding fees we charge. During the Track Record Period, the total number of students enrolled at our University increased from 14,299 in the 2015/2016 school year to 17,808 in the 2018/2019 school year. As of September 30, 2019, the total number of students enrolled at our University was approximately 19,857. Our student enrollment depends on a number of factors, including, but not limited to, our University's reputation, including perception of the quality of education we provide, and the capacity of our University. We believe our educational philosophy combined with our practical major offerings help us attract students who seek high-quality private higher education as a pathway to professional success in the future. We believe the quality of our teachers also serves as a major factor in student selection of their university. Accordingly, we enforce stringent teacher selection criteria and maintain rigorous training programs for our newly hired and experienced teachers, as well as a well-established career development path to improve their performance.

Tuition and Boarding Fees

Our results of operations are affected by the level of tuition and, to a lesser extent, boarding fees we are able to charge. We usually require students to pay tuition and boarding fees prior to the commencement of each school year. The tuition we charge is typically based on the demand for our educational programs, including the cost of our operations and the tuition charged by our competitors. According to the Frost & Sullivan Report, the tuition rates of our University are generally higher than those in the public school system in the same geographic market. However, we believe our tuition rates are comparable to our competitors in the private higher education industry which have a similar scale and offer similar quality of education in Shanghai. Historically, we have kept our tuition rates steady in order to focus on building our student enrollment. During the Track Record Period, we raised our boarding fee rate from RMB2,300 to RMB3,600 in 2016, but we did not raise our tuition rate. In June 2019 we announced an increase in tuition for approximately one quarter of the majors and concentrations offered by our University. Such increase corresponded to our efforts to upgrade these subjects by offering a more comprehensive curriculum and international teaching methods. Tuition rates for these majors and concentrations increased from RMB23,000 to RMB30,000 per student per school year starting in the 2019/2020 school year. In addition, we charge students who are living in the two dormitory buildings of phase two of our construction plan RMB5,800 per student per school year. We plan to review tuition rates on an on-going basis, and adjust them as appropriate. New tuition rates are only applicable to newly admitted students and the tuition levels for existing students remain unchanged. As a result, changes in tuition rates have a more gradual effect on the overall rate of tuition.

Ability to Control Operating Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, our cost of sales represented approximately 57.2%, 54.2%, 47.7%, 46.3% and 42.1% of our total revenue, respectively. Our cost of sales consisted of salary costs, depreciation and amortization, student-related expenses, cooperative education expenses, teaching material expenses, maintenance expenses, training expenses, research and development costs, travel expenses, office expenses, and others. Of these, salary costs mainly consisted of teachers' and other employees' salaries and benefits and constituted approximately 44.8%, 45.2%, 45.6%, 46.2% and 45.5% of our total cost of sales for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, respectively. Our cost of sales increased (in absolute terms) during the Track Record Period primarily due to increases in average salary levels and benefits of our teachers. We raise our teachers' salaries to maintain our high-quality teaching team. Also, the total number of our full-time teachers increased.

Our operating expenses also include selling and distribution expenses and administrative expenses. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, the total amount of selling and distribution expenses and administrative expenses as a percentage of our total revenue was approximately 22.9%, 21.7%, 18.4%, 19.0% and 18.6%, respectively. While our operating expenses have generally remained relatively stable during the Track Record Period, we cannot guarantee they will not increase as we expand our business operations and become a public company.

CAMPUS RELOCATION

To enable us to increase our school capacity in connection with our future growth, and in response to a zoning plan of the local government of Shanghai Pudong New Area, we relocated our University from Kangqiao County to Lingang New City area in Shanghai in September 2015. In relation to the campus relocation, we sold the land of our previous campus together with the buildings thereon to the local government of Shanghai Pudong New Area, as represented by Shanghai Harbour City Development (Group) Co., Ltd. (上海港城開發(集團)有限公司) (the "Purchaser"), a state-owned enterprise. Shanghai Lingang New City State-owned Assets Supervision and Administration Center (上海臨港新城國有資產管理中心) owns a 47.9% equity interest in the Purchaser, and wholly owns Shanghai Lingang Xincheng Investment and Construction Co., Ltd., a lessor of our Group. See "Business – Properties – Leased properties" for details. Other than this, we do not have any past or present relationship, including, but not limited to, family, employment, trust, business or financing relationship, with the Purchaser. A set of agreements (collectively, the "Agreement") was entered into from 2013 to 2016 by the Purchaser and us. The following sets forth key terms of the Agreement:

- Consideration: the consideration for such disposal was determined based on the fair value set forth in a valuation report issued by an independent third party valuer and arm's length negotiation between the Purchaser and us;

- Payment: the consideration would be made up of five installments with different values each time after certain conditions set forth in the Agreement had been met;

- Closing: specific conditions were set forth in the Agreement, including our obtaining any requisite permits in relation to the properties to be transferred, a timeframe for us to complete the relocation, a timeframe for us to complete the title transfer and delivery of a clean title that is free of encumbrances; and

- The Agreement conferred customary representations and warranties, and set forth a provision on choice of courts, and dispute resolution.

We entered into a land purchase agreement with the local government of Shanghai Pudong New Area in July, 2013, to purchase a parcel of land with a gross site area of approximately 532,577.5 sq.m., on which our current campus is located. We paid RMB756.7 million in full to the local government of Shanghai Pudong New Area in the same month and a clean title of the land was transferred to us afterwards. Phase one of our construction plan commenced in July 2013 and completed in August 2015. In order to increase our school capacity, we commenced phase two of our construction plan encompassing an additional four more buildings in April 2018 which were put in use at the end of August 2019. See "Future Plans and Use of Proceeds" for details of phase two of our construction.

The campus relocation and the construction of our current campus impacted our consolidated statements of profit and loss, consolidated statements of financial positions, and consolidated statements of cash flows for the Track Record Period in a number of ways, including:

- Phase one of our construction plan commenced in July 2013 and was completed in August 2015. The total investment in phase one of our construction projects was over RMB2.4 billion;

- By June 30, 2018, all the prerequisite conditions for payment in respect to the sale of our previous campus had been met and we had received the consideration of RMB1,960.8 million in full. Such consideration was determined based on the valuation report issued by a third party valuation agent appointed by the local government of Shanghai Pudong New Area, who performed its own independent due diligence work prior to the issuance of the valuation report. Such valuation was based on current market prices at the time it was conducted. The consideration for the sale of our previous campus equal to the total valuation amount of land and buildings, minus the financial cost calculated with the total of interests generated by each installment payment during the time when each payment was made to the time physical possession of our previous campus being transferred to the Purchaser, using the market interest rate based on the one-to three-year basic lending rate of the People's Bank of China. The net book value of all assets disposed in relation to the campus relocation, including the land of our previous campus and buildings on the land, was approximately RMB809.8 million then. We incurred a cost (including all relevant taxes) of approximately RMB421.4 million. The aggregate gain in relation to our campus relocation was approximately RMB729.6 million, recognized in August 2015, when the physical possession of our previous campus was transferred to the Purchaser. The following chart shows a breakdown of the total consideration and market value, the respective cost (including all relevant taxes), the net book value and the relevant gain on disposal of each type of assets at the time of our campus relocation:

Asset category	Consideration/ market value	Cost (including all relevant tax) Moving expenses	Taxes	Net book value at the time of relocation	Gain
		RMB in millions			
Land	757.6			301.3	456.3
Building	1,233.7	17.2		508.5	708.0
Financial cost	(30.5)				(30.5)
Subtotal	1,960.8	17.2		809.8	1,133.8
			404.2		
Total	1,960.8	421.4		809.8	729.6

- As a result of the disposal of the land and buildings and payments received from the Purchaser, we recognized a total of RMB223.5 million, RMB44.7 million and RMB132.4 million in income tax, value-added tax and land appreciation tax, respectively. Provision for such taxes were made in August 2015 when gains were recognized. Please see note 23 to the Accountants' Report in Appendix I to this prospectus for details of the basis for calculation of the aforementioned taxes; and

- To incentivize the development of the local economy, the local government of Shanghai Pudong New Area agreed to provide us with government grants, calculated based on the amount of certain taxes we paid, mainly including income tax and value-added tax.

We expect to incur additional depreciation costs in relation to the buildings of phase two of our construction plan after those buildings are put to use. See "Risk Factors – Risks Relating to Our Business and Our Industry – The construction of new buildings on our campus and addition of property, plant and equipment in connection with our expansion strategies may result in an increase in depreciation costs which may materially and adversely affect our business, financial condition and results of operations" for details. While we received approximately RMB1,960.8 million cash consideration for the sale of our previous campus, total capital expenditure for our current campus, including the purchase of the land and costs on phase one and phase two of our construction plan, was approximately RMB2,661.7 million. We also incurred cost associated with our relocation of approximately RMB421.4 million.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgements and estimates, and other significant accounting policies, judgements and estimates we applied in preparing our financial information, see the Accountants' Report of our Group in Appendix I to this prospectus.

Revenue Recognition

Tuition and boarding fees

Tuition and boarding fees received are generally paid in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. 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 liabilities as such amounts represent revenue that our Group expects to earn within one year. The school year of our University is generally from September 1 to August 31 of the following year. Revenue from tuition fees is recognized proportionately over the course of a school year excluding a two-month summer break and a one-month winter break. Revenue generated from boarding fees is recognized proportionately over a 12-month period as students can live in the dormitory for the full year.

Others

Income from other services provided by our Group is recognized when the relevant service is provided. Interest income 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. Rental income is recognized on a time proportion basis over the lease terms.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.0%
Motor vehicles	9.5%
Furniture and fixtures	9.5%-19.0%
Devices and equipment	19.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction 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. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

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 recognised on a systematic basis over the periods as deduction from the costs which it is intended to compensate are expensed.

When the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

When the grant relates to neither an expense item nor an asset, it is released to the statement of profit or loss upon receipt.

We received government grants of RMB58.3 million, RMB83.7 million, RMB94.0 million, RMB69.1 million and RMB19.5 million, respectively, in the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019. In these same periods, we recorded RMB0.7 million, RMB10.9 million, RMB15.1 million, RMB3.4 million and RMB1.5 million, respectively, of government grants as other income.

Leases (Applicable Before January 1, 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to our Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where our Group is the lessor, assets leased by our 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 our 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 recognized on the straight-line basis over the lease terms.

Adoption of IFRS 16

Effective from January 1, 2019 IFRS 16 Leases ("IFRS 16") superseded IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-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 account for most leases under a single on-balance sheet model. We adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. See note 2.2 to the Accountants' Report in Appendix I of the prospectus for details on the application of and recognition exemptions from IFRS 16 that we elected to use.

We have lease contracts for land use rights. Before the adoption of IFRS 16, we classified the land use right under prepaid land lease payments (which should be classified as right-of-use assets under IFRS 16).

Upon adoption of IFRS 16, we apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The adoption of IFRS 16 has no significant impact on our financial position and financial performance as compared to the application of IAS 17, except for changes in certain reporting items caused by reclassification. Additionally, the adoption of IFRS 16 has no impact on the key financial ratios. See "– Financial Ratios" for details of our financial ratios.

The effect of adoption IFRS 16 as of 1 January 2019 (increase/decrease) is as follows:

	Increase/ (decrease)
	RMB in thousands
Assets	
Right-of-use assets	673,454
Prepaid land lease payments	(658,320)
Prepayments and other receivables	(15,134)
Total assets	–

The accounting policies of our Group with respect to leases, applicable beginning January 1, 2019, upon adoption of IFRS 16 are as follows:

Right-of-use assets

Our Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless our Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, our Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by our Group and payments of penalties for terminating a lease, if the lease term reflects our Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, our Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

Our Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Impact of Early Adoption of IFRS 9 and IFRS 15

IFRS 9 and IFRS 15

We have assessed the effects of early adoption of IFRS 9 on the financial statements and concluded that the application of expected credit loss model under IFRS 9 would not cause a material impact on the impairment loss allowance for our financial assets measured at amortized cost as of each Track Record Period as compared with the incurred loss model under IAS 39.

We have assessed the effects of early adoption of IFRS 15 on the financial statements and concluded that there is no significant impact on our financial position and financial performance as compared to the application of IAS 18.

RESULTS OF OPERATIONS

The following table presents our selected consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(RMB in thousands)				
Revenue	291,650	356,967	424,587	216,475	254,211
Cost of sales	(166,747)	(193,606)	(202,372)	(100,231)	(106,904)
Gross profit	124,903	163,361	222,215	116,244	147,307
Other income and gains	11,113	20,374	24,428	8,344	5,053
Selling and distribution expenses	(2,512)	(2,323)	(3,040)	(1,887)	(1,610)
Administrative expenses	(64,217)	(75,066)	(75,086)	(39,153)	(45,647)
Impairment losses on finance assets	(33)	(28)	(180)	(2)	10
Other expenses	(3,048)	(3,784)	(957)	(538)	(170)
Finance costs	(52,032)	(55,026)	(57,207)	(32,059)	(23,474)
Profit before tax	14,174	47,508	110,173	50,949	81,469
Income tax expenses	(1,289)	(1,465)	(1,598)	(803)	(471)
Profit and total comprehensive income for the year/period	12,885	46,043	108,575	50,146	80,998
Adjusted net profit[1]	12,885	46,043	116,670	54,516	90,187

Note:

(1) Adjusted net profit for the year/period is derived by adding back the listing expenses for the same year/period. Adjusted net profit is not prepared in accordance with IFRS. For details regarding reconciliation of adjusted net profit, a non-IFRS measure, to its closest IFRS measure, please see "– Key Components of Our Results of Operations – Non-IFRS Measure."

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, we generated total revenue of RMB291.7 million, RMB357.0 million, RMB424.6 million, RMB216.5 million and RMB254.2 million, respectively.

During the Track Record Period, we derived revenue primarily from tuition and boarding fees that our University collected from students. Total tuition fees from our University were RMB251.6 million, RMB306.1 million, RMB365.6 million, RMB188.8 million and RMB222.9 million, respectively, for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019. Total boarding fees from our University were RMB34.9 million, RMB43.0 million, RMB53.5 million, RMB26.1 million and RMB30.6 million, respectively, for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019.

The following table sets forth the revenue generated from tuition and boarding fees for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Tuition fees[1]	251,637	306,068	365,647	188,806	222,874
Boarding fees	34,851	43,041	53,495	26,110	30,554
Others	5,162	7,858	5,445	1,559	783
Total	291,650	356,967	424,587	216,475	254,211

Note:

(1) Tuition fees are presented net of scholarships and refunds.

Tuition Fees

Tuition fees consisted of tuition fees collected from full-time students enrolled in our University. We generally recognized revenue proportionately over a school year (excluding a two-month summer break and a one-month winter break), generally from September 1 through August 31 in the next calendar year.

We generally required tuition for a full school year to be paid to our University in advance prior to the commencement of each school year. In the event a student leaves our University during the academic year, we have refund policies in place. See "Business – Our University – Student withdrawals and refunds" in this prospectus for further details.

Boarding Fees

Boarding fees consisted of boarding fees from students who board at our University. We recognized revenue from boarding fees proportionately over a 12-month period as students can live in the dormitory for the full year.

Generally, we collected boarding fees from our students for a full school year prior to the commencement of each school year. In the event a student leaves our University in the middle of an academic year, we have refund policies in place. Please see "Business – Our University – Student withdrawals and refunds" in this prospectus for further details.

Others

Others mainly consisted of tuition fees from part-time students enrolled in the non-formal higher education program at our college of continuing education, and training services provided by our faculty to non-students.

Cost of Sales

Our cost of sales primarily consisted of salary costs, depreciation and amortization, student-related expenses, cooperative education expenses, teaching material expenses and maintenance expenses, along with training expenses, research and development costs, travel expenses, office expenses, and others. The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
			(RMB in thousands)		
Salary costs	74,779	87,520	92,252	46,342	48,667
Depreciation and amortization	56,106	60,377	61,929	30,818	31,790
Student-related expenses	18,254	20,143	22,803	9,450	12,177
Cooperative education expenses	5,422	8,200	6,535	3,414	4,443
Teaching material expenses	2,275	2,731	3,795	2,163	2,353
Maintenance expenses	756	4,130	4,782	2,591	1,794
Training expenses	1,317	1,937	2,835	1,349	145
Research and development costs	2,303	2,495	2,366	1,529	1,774
Travel expenses	1,278	1,390	1,430	651	1,198
Office expenses	1,229	1,583	1,051	569	1,087
Others	3,028	3,100	2,594	1,355	1,476
Total	166,747	193,606	202,372	100,231	106,904

Salary costs consisted of salaries and benefits paid to our teachers and other teaching related personnel. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, salary costs were RMB74.8 million, RMB87.5 million, RMB92.3 million, RMB46.3 million and RMB48.7 million, respectively, representing 44.8%, 45.2%, 45.6%, 46.2% and 45.5% of our total cost of sales for the same periods. Depreciation and amortization was related to the depreciation of properties and equipment used for providing educational services, amortization of land use rights and amortization of our intangible assets, such as certain software we purchased for educational purposes. Student-related expenses primarily represented expenses incurred on behalf of student organizations in relation to organizing social events and extracurricular activities. Cooperative education expenses are primarily expenses related to teaching personnel for our various school-industry collaboration programs and expenses incurred from purchases of training equipment. Maintenance expenses represented expenses incurred from repairing and upgrading our school facilities. We moved to our current campus in late 2015, as a result of which we only had minimal maintenance expenses in 2016. Others primarily include expenses incurred in relation to events and job fairs held on campus and other educational services related expenses.

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of revenue from tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of our salary costs during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and salary costs is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year with a 5% and 10% increase or decrease in revenue from tuition fees and in salary costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of our tuition and salary costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the revenue from tuition fees and salary costs presents a meaningful analysis of the potential impact of changes in the tuition and salary on our revenue and profitability.

	Year ended December 31,			**Six months ended June 30,**	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Sensitivity analysis of tuition					
Revenue from tuition (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	(25,164)	(30,607)	(36,565)	(18,881)	(22,287)
(5)%	(12,582)	(15,303)	(18,282)	(9,440)	(11,144)
5%	12,582	15,303	18,282	9,440	11,144
10%	25,164	30,607	36,565	18,881	22,287
Sensitivity analysis of salary costs					
Salary (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	7,478	8,752	9,225	4,634	4,867
(5)%	3,739	4,376	4,613	2,317	2,433
5%	(3,739)	(4,376)	(4,613)	(2,317)	(2,433)
10%	(7,478)	(8,752)	(9,225)	(4,634)	(4,867)

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, our gross profit was RMB124.9 million, RMB163.4 million, RMB222.2 million, RMB116.2 million and RMB147.3 million, respectively, reflecting gross profit margins of 42.8%, 45.8%, 52.3%, 53.7% and 57.9% for the same periods, respectively.

Other Income and Gains

Other income and gains consisted of government grants, rental income, bank interest income, gain on disposal of items of property, plant and equipment, and others. The following table sets forth the breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Government grants	737	10,894	15,071	3,362	1,527
Operating lease income from operators of supermarkets, snap shops, etc.	9,544	8,399	7,726	3,909	3,329
Bank interest income	825	857	1,353	796	181
Gain on disposal of items of property, plant and equipment	–	224	256	255	–
Others	7	–	22	22	16
Total	11,113	20,374	24,428	8,344	5,053

During the Track Record Period, we received certain government grants primarily in relation to incentivizing the development of local economy. The local government of Lingang New City area has a policy in place that provides government grants in the form of refunds of certain taxes to certain enterprises which (i) are registered in the Lingang New City area; and (ii) pay taxes to the local government of Lingang New City area in excess of RMB100 thousand annually, for the purpose of attracting more enterprises to come to Lingang new City area. Our economic contributions to the local government, mainly in the form of taxes (including income tax and value-added tax) we paid, met such requirement in 2017 and 2018 and as a result, our other income and gains from government grants increased significantly in those years, primarily due to such government grants we received, primarily coming in the form of refunds of income tax and value-added tax we paid in relation to the disposal of land and buildings on our previous campus. The value-added tax and income tax were incurred in 2017 when titles of our previous campus land and the buildings thereon were transferred. The relocation related value-added tax was paid in 2017, and the relocation related income tax was paid in 2018, other than the portion that can be deferred in accordance with the relevant government policy. See "— Results of Operations — Income tax expenses" for details of such government policy.

Government grants we received are not guaranteed and may fluctuate from time to time due to changes in local policies and the financial condition of relevant local government. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, we recorded income from government grants of RMB0.7 million, RMB10.9 million, RMB15.1 million, RMB3.4 million and RMB1.5 million, respectively.

Selling and Distribution Expenses

Selling and distribution expenses consisted of expenses incurred for relevant advertising of our University, including the cost of promotional brochures, transportation expenses, telecommunication expenses and business entertainment expenses. The following table sets forth the information of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Advertising expenses	2,512	2,323	3,040	1,887	1,610

Administrative Expenses

Administrative expenses consisted of salary expenses for administrative staff, logistic expenses, depreciation of vehicle and equipment for administrative purposes, professional service expenses which mainly consisted of listing expenses, travel expenses, entertainment expenses, office expenses, and others. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Salary expenses	44,666	48,765	45,523	22,813	27,167
Logistic expenses	2,002	7,573	7,368	4,249	3,379
Depreciation	855	817	682	344	101
Professional service expenses	1,716	2,287	1,934	517	435
Travel expenses	4,993	5,314	3,536	1,803	1,615
Entertainment expenses	5,353	6,675	3,306	2,669	915
Office expenses	3,556	2,709	3,168	1,691	1,483
Listing expenses	–	–	8,095	4,370	9,189
Others(1)	1,076	926	1,474	697	1,363
Total	64,217	75,066	75,086	39,153	45,647

Note:

(1) Others primarily consists of expenses for staff-related events, bank transaction fees, and technology service fees.

Impairment Losses on Financial Assets

Impairment losses on financial assets mainly reflect losses from tuition and boarding fees that we were not able to collect from students who were in financial distress. See note 18 to the Accountants' Report in Appendix I to this prospectus for details.

Other Expenses

Other expenses consisted of sponsorship fees, donations, and loss from disposal of non-current assets. Sponsorship fees were largely attributable to various Go tournaments we sponsored. Donations primarily related to amounts we donated to certain "hope project" schools in rural areas of China. Disposal of non-current assets was primarily due to our disposal of obsolete teaching equipment and electronic devices partially in connection with relocation to our current campus.

Finance Costs

Our finance costs reflect total interest expenses we paid for our bank and other borrowings and interest on finance leases net of the interest income we received from certain of our loans to one of our ultimate shareholders, as further disclosed in "– Material Related Party Transactions" in this prospectus. We used finance leases to rent certain educational and administrative equipment and devices. Even though the finance lease arrangements in which we engaged generally have higher interest rates than bank and other borrowings, we used such arrangement as an alternative to finance our operational needs due to its relatively short application process.

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Interest on bank and other borrowings	56,944	61,446	59,218	33,080	28,197
Less: interest charged to an ultimate shareholder, Mr. Zhou Xingzeng	(5,601)	(7,223)	(3,312)	(3,312)	–
Interest on finance leases	689	803	2,291	2,291	–
Sub-total	52,032	55,026	58,197	32,059	28,197
Less: interest capitalized	–	–	(990)	–	(4,723)
Total	52,032	55,026	57,207	32,059	23,474

Income Tax Expenses

The following table sets forth how the income tax expenses for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
	(RMB in thousands)				
Profit before tax	14,174	47,508	110,173	50,949	81,469
At the statutory income tax rate	3,544	11,877	27,543	12,737	21,802
Expenses not deductible for tax	811	994	380	941	441
Income not subject to tax	(5,501)	(13,209)	(25,488)	(14,482)	(22,427)
Tax losses utilized from previous years	–	–	(1,223)	–	(1)
Tax losses not recognized	2,435	1,803	386	1,607	656
Tax charge at our Group's effective rate	1,289	1,465	1,598	803	471

Cayman Islands Income Tax

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong.

PRC Enterprise Income Tax

For our operations in China, we are generally subject to PRC enterprise income tax at a rate of 25% on our taxable income. According to the *Implementation Rules for the Law for Promoting Private Education*, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing formal education are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns.

As the School Sponsors of our University do not require reasonable returns, we were not required to pay PRC enterprise income tax for the income we received from the provision of formal educational services by our University and no income tax expenses were recognized for such income for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019. See "Risk Factors – Risks Relating to Our Business and Our Industry – The unavailability of any preferential tax treatments currently enjoyed by our University could materially and adversely affect our results of operations." Our income from services other than the provision of formal higher educational services, which primarily included income from external training services and rental income, was subject to PRC enterprise income tax at a rate of 25% under the relevant PRC laws and regulations during the Track Record Period. We applied our overall net margins to our revenue from non-formal higher education services in order to estimate the taxable income, given the significant amount of overlap in costs and expenses relating to our formal higher education and non-formal higher education services. For the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, the tax exposure of our non-formal higher education services were RMB1.3 million, RMB1.5 million, RMB1.6 million, RMB0.8 million and RMB0.5 million, respectively. As of the Latest Practicable Date, all of the current portion of our total tax payable as of December 31, 2018 and June 30, 2019 had been fully settled. This amount represented all of our income tax payable as of such date other than the portion recorded as non-current liabilities, the payment of which was deferred in accordance with the relevant government policy. During the Track Record Period and up to the Latest Practicable Date, we had not been found to have failed to pay income tax by the relevant tax authorities and are not subject to penalties. Furthermore, based on the interview conducted with a competent official from Shanghai Pudong New Area Tax Service, State Administration of Taxation* (上海市浦東新區國家稅務局) on April 18, 2019, being the competent authority as advised by our PRC Legal Advisors, such authority confirmed, among other things, we have lawfully filed our tax returns and our tax payment was in its receipt. In addition, the authority confirmed that it agreed with our financial accounting treatment with regard to our tax matters and there have been no findings of tax penalty or any violation of tax laws and regulations.

Following the execution of the Contractual Arrangements, Gench WFOE is currently subject to PRC enterprise income tax of 25% of net profit before tax and value-added tax of 6% in respect of the service fees it receives from our PRC Affiliated Entities. Such tax rates are subject to change and may have a significant impact on our profitability.

In addition, to incentivize the development of local economy, Shanghai Lingang Enterprise Services Bureau (上海臨港地區企業服務局), agreed to provide Gench WFOE government grants going forward. We received a letter from such authority on December 12, 2018, confirming that Gench WFOE will be able to enjoy such government grants amounting to 22.75% of the total amount of the value-added tax to be paid by Gench WFOE and 14% of the total amount of the enterprise income tax to be paid by Gench WFOE. However, this arrangement is subject to any policy change by the government and we cannot assure you for how long or if we will be able to enjoy such government grants. See "Risk Factors – The unavailability of any preferential tax treatments currently enjoyed by our University could materially and adversely affect our results of operations."

Deferred Tax Payment

A government policy promulgated by the State Administration of Taxation allows enterprises to defer payment of any taxes on gains from assets disposal in connection with relocation due to eminent domain or other government-related reasons for up to five years. As a result of our relocation in 2015, our income tax payables during the Track Record Period also included income tax relating to the disposal of our previous campus land and buildings thereon. The title transfer of the land of our previous campus and buildings thereon was completed in 2017. Our value-added tax relating to the disposal was paid in 2017 and income tax relating to the disposal was paid in 2018, other than that portion could be deferred for up to five years in accordance with the government policy described above. Such deferred income tax amounted to RMB147.2 million and was calculated based on the gain from the disposal of related assets. As a result of such deferred tax payment, our income tax payable balances during the Track Record Period were higher than income tax we actually paid each year. We filed our deferred tax payment application in December 2015 in accordance with applicable rules and regulations, and such application was approved on May 9, 2016. We intend to settle such tax payables in full by the appropriate tax filing date in 2021 in accordance with the relevant tax rules and regulations. Based on the interview conducted with a competent official from Shanghai Pudong New Area Tax Service, State Administration of Taxation* (上海市浦東新區國家稅務局) on April 18, 2019, being the competent authority as advised by our PRC Legal Advisors, such authority confirmed, among other things, that (i) we had filed for the deferred payment of taxes related to our campus relocation; (ii) pursuant to the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures on the Income Tax of the Enterprises Undergoing Policy-based Relocation and other relevant regulations, we could defer the related taxable income recognition for up to five years according to our relocation schedule; and (iii) the specific amount of the relevant tax payments due would be determined when it is due. During the Track Record Period and up to the Latest Practicable Date, we had not been found to have failed to pay income tax by the relevant tax authorities and are not subject to any penalties. See note 23 to the Accountants' Report in Appendix I of this prospectus for details on the deferred tax payment.

Non-IFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income 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 operating performance. We also believe that such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted net profit eliminates the effect of listing-related expenses, which is a non-recurring item. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance. The following table reconciles our adjusted net profit for the year/period presented to profit for the year/period, the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(RMB in thousands)				
Profit for the year	12,885	46,043	108,575	50,146	80,998
Add:					
Listing expenses	–	–	8,095	4,370	9,189
Adjusted net profit	12,885	46,043	116,670	54,516	90,187

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue

Our revenue increased by RMB37.7 million, or 17.4%, from RMB216.5 million for the six months ended June 30, 2018 to RMB254.2 million for the six months ended June 30, 2019. This increase was primarily due to increases in our revenue from tuition and boarding fees.

Revenue from tuition fees increased by RMB34.1 million, or 18.1%, from RMB188.8 million for the six months ended June 30, 2018 to RMB222.9 million for the six months ended June 30, 2019, primarily as a result of an increase in the total number of full-time students enrolled in our University. The increase in revenue generated from tuition fees was also due to the increase of our tuition fee rates in 2015 which were only applicable to newly admitted students since that year. As a result, all students were subject to the higher tuition rates for the six months ended June 30, 2019.

Revenue derived from boarding fees increased by RMB4.5 million, or 17.2%, from RMB26.1 million for the six months ended June 30, 2018 to RMB30.6 million for the six months ended June 30, 2019, which was in line with the increase in our revenue from tuition fees as a result of the increase in the total number of full-time students enrolled at our University. The increase was also due to an increasing number of students subject to the higher boarding fee rate that was raised in the 2016/2017 school year.

Revenue from others decreased from RMB1.6 million for the six months ended June 30, 2018 to RMB0.8 million for the six months ended June 30, 2019, primarily due to our decreasing engagement in the external training services due to relatively low profitability.

Cost of Sales

Cost of sales increased by RMB6.7 million, or 6.7%, from RMB100.2 million for the six months ended June 30, 2018 to RMB106.9 million for the six months ended June 30, 2019. This increase was primarily due to increases in salary cost, depreciation and amortization, and student-related expenses.

Salary costs increased by RMB2.4 million, or 5.2%, from RMB46.3 million for the six months ended June 30, 2018 to RMB48.7 million for the six months ended June 30, 2019, primarily due to (i) an increase in the total number of teachers as we hired additional teachers to meet the needs of our University and (ii) an increase in salary rates paid to our teachers.

Depreciation and amortization increased by RMB1.0 million, or 3.2%, from RMB30.8 million for the six months ended June 30, 2018 to RMB31.8 million for the six months ended June 30, 2019. The increase was primarily because a larger amount of teaching equipment was put into use in the six months ended June 30, 2019.

Student-related expenses increased by RMB2.7 million, or 28.4%, from RMB9.5 million for the six months ended June 30, 2018 to RMB12.2 million for the six months ended June 30, 2019. This increase was primarily due to the growth of our student body.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB31.1 million, or 26.8%, from RMB116.2 million for the six months ended June 30, 2018 to RMB147.3 million for the six months ended June 30, 2019. Gross profit margin increased from 53.7% for the six months ended June 30, 2018 to 57.9% for the six months ended June 30, 2019. This increase was primarily due to greater increases in student enrollment and resultant increases in tuition fees and boarding fees than increases in the number of teaching staff and resultant salary costs, and to greater economies of scale, as fixed costs such as depreciation and amortization expenses remained relatively stable.

Other Income and Gains

Other income and gains decreased by RMB3.2 million, or 38.6%, from RMB8.3 million, for the six months ended June 30, 2018 to RMB5.1 million for the six months ended June 30, 2019, primarily due to a decrease in government grants, which are not guaranteed and can fluctuate along with changes in government budget and relevant local policies in relation to supporting education service providers. Government grants decreased from RMB3.4 million for the six months ended June 30, 2018 to RMB1.5 million for the same period ended June 30, 2019, as less government grants were granted to us in the six months ended June 30, 2019. The decrease in our other income and gains was also attributable to decreases in our operating lease income as certain leases were terminated by us during such period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB0.3 million, or 15.8%, from RMB1.9 million for the six months ended June 30, 2018 to RMB1.6 million for the six months ended June 30, 2019. The decrease was primarily because we shifted our marketing focus to more cost-efficient online marketing channels.

Administrative Expenses

Our administrative expenses increased by RMB6.4 million, or 16.3%, from RMB39.2 million for the six months ended June 30, 2018 to RMB45.6 million for the six months ended June 30, 2019, primarily due to (i) increases in our listing expenses; and (ii) increases in salary expenses for our administrative staff as we hired additional administrative staff, primarily for Gench WOFE, and an increase in salary rates paid to our administrative staff.

Impairment Losses on Financial Assets

Impairment losses on financial assets decreased from a loss of RMB2,000 for the six months ended June 30, 2018 to a gain of RMB10,000 for the six months ended June 30, 2019, primarily due to the reversal of the impairment provided for accounts receivable.

Other Expenses

Other expenses decreased from RMB538,000 for the six months ended June 30, 2018 to RMB170,000 for the six months ended June 30, 2019, due to the fact that we sponsored fewer sporting events in the six months ended June 30, 2019.

Finance Costs

Our finance costs decreased by RMB8.6 million, or 26.8% from RMB32.1 million for the six months ended June 30, 2018 to RMB23.5 million for the six months ended June 30, 2019, primarily because (i) we repaid a portion of our interest-bearing bank and other borrowings; and (ii) certain bank loans incurred in the second half of 2018 and the first half of 2019 were related to phase two of our construction plan. Total interest expense from such bank loans for the six months ended June 30, 2019 was RMB4.7 million, all of which was capitalized.

Income Tax Expenses

Our income tax expenses decreased from RMB803,000 for the six months ended June 30, 2018 to RMB471,000 for the six months ended June 30, 2019. This decrease was mainly a result of a decrease in our taxable income, specifically income from our non-formal higher education program. Our effective income tax rate decreased from 1.6% for the six months ended June 30, 2018 to 0.6% for the six months ended June 30, 2019, primarily due to an increase in our revenue from tuition and boarding fees, which were tax-exempted, while our taxable other revenue decreased.

Profit and Total Comprehensive Income for the Period and Net Profit Margin

As a result of the above factors, our profit and total comprehensive income for the period increased by RMB30.9 million, or 61.7% from RMB50.1 million for the six months ended June 30, 2018 to RMB81.0 million for the six months ended June 30, 2019. Our net profit margin increased from 23.2% for the six months ended June 30, 2018 to 31.9% for the six months ended June 30, 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by RMB67.6 million, or 18.9%, from RMB357.0 million for the year ended December 31, 2017 to RMB424.6 million for the year ended December 31, 2018. This increase was primarily due to increases in our revenue from tuition and boarding fees.

Revenue from tuition fees increased by RMB59.5 million, or 19.4%, from RMB306.1 million for the year ended December 31, 2017 to RMB365.6 million for the year ended December 31, 2018, primarily as a result of an increase in the total number of full-time students enrolled in our University. The increase in revenue generated from tuition fees was also due to the increase of our tuition fee rates in 2015 which were only applicable to newly admitted students since that year. As a result, the number of students subject to the higher tuition rates increased every year during the Track Record Period and generated more revenue from tuition fees.

Revenue derived from boarding fees increased by RMB10.5 million, or 24.4%, from RMB43.0 million for the year ended December 31, 2017 to RMB53.5 million for the year ended December 31, 2018, which is in line with the increase in our revenue from tuition fees as a result of the increase in the total number of full-time students enrolled at our University. The increase was also due to an increasing number of students subject to the higher boarding fee rate that was raised in the 2016/2017 school year.

Revenue from others decreased from RMB7.9 million for the year ended December 31, 2017 to RMB5.4 million for the year ended December 31, 2018, primarily because we engaged in fewer external training services in 2018.

Cost of Sales

Cost of sales increased by RMB8.8 million, or 4.5%, from RMB193.6 million for the year ended December 31, 2017 to RMB202.4 million for the year ended December 31, 2018. This increase was primarily due to increases in salary costs, depreciation and amortization, and student-related expenses.

Salary costs increased by RMB4.8 million, or 5.5%, from RMB87.5 million for the year ended December 31, 2017 to RMB92.3 million for the year ended December 31, 2018 primarily due to (i) an increase in the total number of teachers as we hired additional teachers to meet the needs of our University and (ii) an increase in salary rates paid to our teachers.

Depreciation and amortization increased by RMB1.5 million, or 2.5%, from RMB60.4 million for the year ended December 31, 2017 to RMB61.9 million for the year ended December 31, 2018. The increase was primarily because a larger amount of teaching equipment was put into use in the fourth quarter of 2017.

Student-related expenses increased by RMB2.7 million, or 13.4%, from RMB20.1 million for the year ended December 31, 2017 to RMB22.8 million for the year ended December 31, 2018. This increase was consistent with the growth of our student body as we spent an increasing amount on supporting student activities.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB58.8 million, or 36.0%, from RMB163.4 million for the year ended December 31, 2017 to RMB222.2 million for the year ended December 31, 2018. Gross profit margin increased from 45.8% for the year ended December 31, 2017 to 52.3% for the year ended December 31, 2018. This increase was primarily due to greater increases in student enrollment and resultant increases in tuition fees and boarding fees than increases in the number of teaching staff and resultant salary costs, and to greater economies of scale, as fixed costs such as depreciation and amortization expenses remained relatively stable.

Other Income and Gains

Other income and gains increased by RMB4.0 million, or 19.6%, from RMB20.4 million, for the year ended December 31, 2017 to RMB24.4 million for the year ended December 31, 2018, which was primarily due to increases in government grants mainly coming in the form of refunds on income tax we paid in connection with our relocation. The title transfer of our previous campus land and buildings thereon was completed in 2017, and the relevant income tax was paid in 2018, other than a portion that could be deferred in accordance with the relevant government policy. See "— Campus Relocation" for details on these government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB0.7 million, or 30.4%, from RMB2.3 million for the year ended December 31, 2017 to RMB3.0 million for the year ended December 31, 2018. This increase was primarily related to additional internet marketing activities and program consultation sessions we held in relation to student recruitment and career services.

Administrative Expenses

Our administrative expenses was RMB75.1 million for the years ended December 31, 2017 and December 31, 2018, primarily reflecting a decrease in our administrative staff salary as a result of the Demerger of Jian Qiao Group in April, 2018, pursuant to which a number of non-school operation related staff were transferred to Jian Zhi Qiao Development. This was partially offset by an increase in listing expense from nil for the year ended December 31, 2017 to RMB8.1 million for the year ended December 31, 2018.

Impairment Losses on Financial Assets

Impairment losses on financial assets increased by RMB152,000, from RMB28,000 for the year ended December 31, 2017 to RMB180,000 for the year ended December 31, 2018, reflecting an increase in the amount of uncollectible tuition and boarding fees from students who were in financial distress.

Other Expenses

Other expenses decreased by RMB2.8 million, or 73.7%, from RMB3.8 million for the year ended December 31, 2017 to RMB1.0 million for the year ended December 31, 2018, due to the fact that we sponsored fewer sporting events in the year ended December 31, 2018.

Finance Costs

Our finance costs increased by RMB2.2 million, or 4.0% from RMB55.0 million for the year ended December 31, 2017 to RMB57.2 million for the year ended December 31, 2018, primarily reflecting an increase in interest on bank and other borrowings for the construction projects on our current campus, and was partially offset by an increase interest expenses on finance leases for educational equipment and devices, which was in line with the growth of our student body.

Income Tax Expenses

Our income tax expenses increased by RMB0.1 million, or 6.7% from RMB1.5 million for the year ended December 31, 2017 to RMB1.6 million for the year ended December 31, 2018. This increase was mainly a result of an increase in our taxable income, specifically income from our training services. Our effective income tax rate decreased from 3.1% for the year ended December 31, 2017 to 1.5% for the year ended December 31, 2018, primarily due to an increase in our revenue from tuition and boarding fees, which were tax-exempted, while our taxable other revenue decreased.

Profit and Total Comprehensive Income for the Period and Net Profit Margin

As a result of the above factors, our profit and total comprehensive income for the period increased by RMB62.6 million, or 136.1% from RMB46.0 million for the year ended December 31, 2017 to RMB108.6 million for the year ended December 31, 2018. Our net profit margin increased from 12.9% for the year ended December 31, 2017 to 25.6% for the year ended December 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by RMB65.3 million, or 22.4%, from RMB291.7 million for the year ended December 31, 2016 to RMB357.0 million for the year ended December 31, 2017, primarily driven by increases in revenue from tuition and boarding fees.

Revenue generated from tuition fees increased by RMB54.5 million, or 21.7%, from RMB251.6 million for the year ended December 31, 2016 to RMB306.1 million for the year ended December 31, 2017, primarily as a result of an increase in the total number of full-time students enrolled in our University. The increase in revenue generated from tuition fees was also due to the increase of our tuition fee rates in 2015 which were only applicable to newly admitted students starting from 2015. As a result, the number of students subject to the higher tuition rates increased every year during the Track Record Period and generated more revenue from tuition fees, and average tuition fees increased from RMB16,614 per student for the year ended December 31, 2016 to RMB18,480 for the year ended December 31, 2017.

Revenue generated from boarding fees increased by RMB8.1 million, or 23.2%, from RMB34.9 million for the year ended December 31, 2016 to RMB43.0 million for the year ended December 31, 2017 as a result of the increased full-time student enrollment at our University and an increase in the boarding fee rate from RMB2,300 for the 2015/2016 school year to RMB3,600 for the 2016/2017 school year.

Revenue from others increased from RMB5.2 million in 2016 to RMB7.9 million in 2017, primarily due to the fact that we engaged in more external training services in 2017.

Cost of Sales

Cost of sales increased by RMB26.9 million, or 16.1%, from RMB166.7 million for the year ended December 31, 2016 to RMB193.6 million for the year ended December 31, 2017. This increase was primarily due to increases in salary, depreciation and amortization and maintenance expenses.

Salary costs increased by RMB12.7 million, or 17.0%, from RMB74.8 million for the year ended December 31, 2016 to RMB87.5 million for the year ended December 31, 2017 primarily due to (i) an increase in the number of teachers as we hired additional teachers in 2017 to meet the needs of increased students; and (ii) an increase in salary rates paid to our teachers.

Depreciation and amortization increased by RMB4.3 million, or 7.7%, from RMB56.1 million for the year ended December 31, 2016 to RMB60.4 million for the year ended December 31, 2017, primarily due to additional purchases of teaching equipment and furniture to accommodate additional students in 2017 after we moved to our current campus.

Maintenance expenses increased by RMB3.3 million, or 412.5%, from RMB0.8 million for the year ended December 31, 2016 to RMB4.1 million for the year ended December 31, 2017. This increase was largely due to the fact that we had just moved to our current campus in 2015 and maintenance expenses for the year ended December 31, 2016 were therefore particularly low in that year.

Gross Profit

Gross profit increased by RMB38.5 million, or 30.8% from RMB124.9 million for the year ended December 31, 2016 to RMB163.4 million for the year ended December 31, 2017. Our gross profit margin increased from 42.8% for the year ended December 31, 2016 to 45.8% for the year ended December 31, 2017. This increase was largely attributable to increases in student enrollment and resultant increases in tuition fees that were greater than increases in the number of teaching staff and resultant salary costs, and to greater economies of scale, as depreciation and amortization expenses remained relatively stable.

Other Income and Gains

Other income and gains increased by RMB9.3 million, or 83.8%, from RMB11.1 million for the year ended December 31, 2016 to RMB20.4 million for the year ended December 31, 2017. The increase was primarily due to an increase of RMB10.2 million in government grants mainly coming in the form of refunds in connection with the relocation from the local government of Shanghai Pudong New Area on value-added tax we paid in connection with our relocation. The title transfer of our previous campus land and buildings thereon was completed in 2017, and the relevant value-added tax was paid in the same year. See "— Campus Relocation" for details of these government grants.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB0.2 million, or 8.0%, from RMB2.5 million for the year ended December 31, 2016 to RMB2.3 million for the year ended December 31, 2017. This decrease was primarily due to a more economical approach we adopted in relation to conducting sales and marketing activities.

Administrative Expenses

Our administrative expenses increased by RMB10.9 million, or 17.0%, from RMB64.2 million for the year ended December 31, 2016 to RMB75.1 million for the year ended December 31, 2017, primarily due to: (i) an increase in logistic expenses primarily due to an increase in student enrollment at our University and an increase in the janitorial service fee we incurred in 2017, and (ii) an increase in salary costs for administrative personnel due to additional administrative employees we hired to maintain daily operations as our student body continued to grow.

Impairment Losses on Financial Assets

Impairment losses on financial assets decreased by RMB5,000, from RMB33,000 for the year ended December 31, 2016 to RMB28,000 for the year ended December 31, 2017, reflecting a decrease in the amount of uncollectible tuition and boarding fees from students who were in financial distress.

Other Expenses

Other expenses increased by RMB0.8 million, or 26.7%, from RMB3.0 million for the year ended December 31, 2016 to RMB3.8 million for the year ended December 31, 2017, primarily due to, (i) our sponsoring of more sporting events in 2017, including our sponsorship of various Go tournaments; and (ii) a loss from the disposal of certain obsolete teaching equipment and electronic devices when we moved to our current campus.

Finance Costs

Finance costs increased by RMB3.0 million or, 5.8%, from RMB52.0 million in 2016 to RMB55.0 million in 2017, primarily due to increased interest on bank and other borrowings, which was attributable to an increase in bank loans used to finance the development of our University, particularly for the continuing construction of the current campus.

Income Tax Expense

Income tax expense increased from RMB1.3 million for the year ended in December 31, 2016 to RMB1.5 million for the year ended in December 31, 2017, which was primarily due to an increase in revenue from external training services provided to non-students. Our effective tax rate decreased from 9.1% for the year ended December 31, 2016 to 3.1% for the year ended December 31, 2017, primarily due to the fact that our tax-exempted income from tuition and boarding fees increased at a much higher speed due to the increase in our student enrollment, while our taxable other revenue stayed relatively stable.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the above factors, our profit and total comprehensive income for the year increased by RMB33.1 million, or 256.6%, from RMB12.9 million for the year ended December 31, 2016 to RMB46.0 million for the year ended December 31, 2017. Our net profit margin increased from 4.4% for the year ended December 31, 2016 to 12.9% for the year ended December 31, 2017.

DISCUSSION OF SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
CURRENT ASSETS					
Accounts receivable	2,757	3,627	3,921	4,050	5,524
Due from ultimate shareholders	216,480	263,137	–		–
Due from related companies	171,459	449,971	–	–	–
Prepayments and other receivables	63,987	49,473	24,324	13,720	22,531
Restricted cash	36,000	30,000	–	–	–
Cash and cash equivalents	266,316	39,601	442,078	195,408	348,749
Total current assets	756,999	835,809	470,323	213,178	376,804
CURRENT LIABILITIES					
Other payables and accruals	683,264	510,026	279,921	323,607	198,221
Due to ultimate shareholders	19,530	23,148	–	–	–
Due to related companies	17,099	19,601	821	–	–
Interest-bearing bank and other borrowings	327,000	474,560	175,400	173,000	200,000
Contract liabilities	179,821	220,221	260,108	43,851	415,875
Tax payable	210,005	79,043	4,096	468	147,279
Total current liabilities	1,436,719	1,326,599	720,346	540,926	961,375
NET CURRENT LIABILITIES	(679,720)	(490,790)	(250,023)	(327,748)	(584,571)

As of December 31, 2016, 2017 and 2018, and June 30, 2019, we had net current liabilities of RMB679.7 million, RMB490.8 million, RMB250.0 million, and RMB327.7 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we recorded large amounts of contract liabilities, which primarily consisted of tuition fees and boarding fees received from students at the beginning of each school year that had not been recognized as revenue as of the respective dates; (ii) we had significant amounts of bank loans that were incurred to support the construction of our current campus; and (iii) we had significant amounts of other payables and accruals in relation to the construction of our current campus. See "Risk Factors – We recorded net current liabilities during the Track Record Period and may record net current liabilities in the future."

We expect to improve our net current liabilities position by receiving the net proceeds of the Global Offering and receipt of funds generated by our business operations.

Due from/to Related Companies

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Due from related companies	171,459	449,971	–	–
Due to related companies	17,099	19,601	821	–

Amounts due from related companies were RMB171.5 million, RMB450.0 million, nil, and nil, as of December 31, 2016, 2017 and 2018, and June 30, 2019. The historical balances as of December 31, 2016 and 2017 consisted of (i) amounts due from the two Spun-off Parents; (ii) amounts due from Jian Qiao Education & Service and Shanghai Zhengyi; and (iii) amounts due to Jian Qiao Education & Training of trade nature.

The outstanding balances due from the two Spun-off Parents amounted to RMB147.6 million, RMB416.2 million, nil and nil, as of December 31, 2016, 2017 and 2018, and June 30, 2019, respectively. Pursuant to the Demerger, the two predecessor companies, Jian Qiao Group and Jian Qiao Investment, were split into two surviving companies (Jian Qiao Group and Jian Qiao Investment) and two new companies (the Spun-off Parents).

When splitting the balance sheets of the predecessor companies pursuant to the Demerger:

(1) assets related to our higher education business on the balance sheets of the predecessor companies were grouped under Jian Qiao Group and Jian Qiao Investment, while assets of the non-higher education businesses were grouped under the Spun-off Parents for the purpose of the Demerger;

(2) when splitting the liabilities of the predecessor companies, the liabilities clearly associated with the non-higher education businesses and which could be transferred

were spun-off. These comprised the advances made to the Spun-off Entities and Jian Zhi Qiao Management, as shown in the tables in the paragraphs headed "Allocation of liabilities and relevant legal bases" in the section headed "History and Corporate Structure". Apart from these, the rest of the liabilities were all retained by the surviving companies, being Jian Qiao Group and Jian Qiao Investment, including certain bank loans which included terms and conditions that prevented their transfer to different legal entities, and certain other liabilities (such as part of the gains from the disposal of our previous campus attributable to the School Sponsors which were treated as "special payables" in accordance with the requirements of the PRC taxation authorities as a liability on the Demerger Balance Sheets) were all retained by the surviving companies, being Jian Qiao Group and Jian Qiao Investment;

(3) as a result of the above, the value of assets to be spun off exceeded the value of liabilities to be spun off. An amount of equity equal to the difference between the amount of assets and liabilities spun-off thus needed to be spun off, so that the total amount of spun-off liabilities and equity would match the amount of spun-off assets;

(4) at the time of the Demerger, with the capital increase of approximately RMB538.8 million having been made on March 28, 2018 prior to the Demerger, enough equity was available to be spun off, and no amount due from the two Spun-off Parents to the Group existed as of the Demerger Balance Sheet Date. However, as set out in the paragraph headed "Financial Information – Basis of Presentation", for the purposes of preparing the audited financial statements of the Group for the purposes of the Listing, the Demerger was treated as having taken place at the beginning of the Track Record Period i.e. January 1, 2016. As the above capital increase only occurred subsequent to that date, as of December 31, 2016 and 2017, there was not sufficient equity in the predecessor companies to be treated as having been spun-off to match the historical differences between asset and liability balances treated for accounting purposes as already having been spun-off, creating imbalances;

(5) appropriate accounting adjustments were thus needed to reconcile such imbalances. As such, as of December 31, 2016 and 2017, balances due to the surviving companies from the new companies were recorded in the Group's financial statements. Such balances increased the liabilities of the new companies to match the excess assets, while increasing the assets of the surviving company to match the excess total liabilities and equity. Such balances were thus reflected on the accounts of the Group as part of the amounts due from related parties;

(6) primarily as a result of the capital increase by cash injection which occurred on March 28, 2018, more equity became available for the predecessor companies to be treated as having been spun off to the new companies, reducing such imbalances to nil. As a result, the amounts due from the Spun-off Parents were nil and nil as of December 31, 2018 and June 30, 2019, respectively. No actual fund flow happened between the surviving companies and the new companies when the balances were settled, since at such time prior to the Demerger they were not legally split yet.

Such balances as of the end of 2016 and 2017 were created for accounting purposes to allow the financial information of our Group to be presented as if the Demerger had happened at the beginning of the Track Record Period. In reality, the Demerger had not happened as of the end of 2016 and 2017, and the relevant balances between the surviving companies and new companies actually did not exist as of those dates. Such historical pro forma balances reflect the economic substance that, prior to the Demerger, the predecessor companies deployed certain proceeds from certain sources of funds that were later retained by the surviving companies to the use of Spun-off Businesses.

The outstanding balances due from Jian Qiao Education & Service and Shanghai Zhengyi was RMB22.9 million, RMB31.8 million, nil and nil, as of December 31, 2016, 2017 and 2018, and June 30, 2019, respectively, which reflected non-interest bearing loans to these two companies to supplement their working capital. As of December 31, 2018, balances from these two companies had been settled by cash repayment.

Amounts due from related companies of trade nature were of RMB1.0 million, RMB2.0 million, nil and nil as of December 31, 2016, 2017, 2018 and June 30, 2019, respectively, which were related to outstanding rental payment due by Jian Qiao Education & Training. Such outstanding amounts due had been fully settled as of December 31, 2018.

Amounts due to related companies were primarily related to advances from related companies to us to supplement our working capital.

As of the Latest Practicable Date, all amounts due to and from related companies other than those of a trade nature had been fully settled.

Due from/to Ultimate Shareholders

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Due from ultimate shareholders	216,480	263,137	–	–
Due to ultimate shareholders	19,530	23,148	–	–

Amount due from ultimate shareholders increased by RMB46.6 million from RMB216.5 million as of December 31, 2016 to RMB263.1 million as of December 31, 2017, which primarily consisted of loans to our ultimate shareholders for their investment in various non-education related industries, including hotel management and real estate development.

From 2016 to 2018, Mr. Zhou Xingzeng, one of our ultimate shareholders, had certain borrowing and repayment financing arrangements pursuant to which Jian Qiao Group and Jian Qiao Investment obtained loans from banks and then lent the same amounts to Mr. Zhou for his non-education related investments including hotel management and real estate development. Under such financing arrangements, Jian Qiao Group and Jian Qiao Investment charged Mr. Zhou the same amount of interest as they were charged by the banks. Over the course of the Track Record Period, we extended 13 loans for a cumulative total amount of RMB445.1 million to Mr. Zhou under such arrangements. All such loans were unsecured, with terms ranging from two months to one year and bore interest at rates of 4.35%-16.00% per annum. As of December 31, 2016, 2017 and 2018, and June 30, 2019, amounts due from Mr. Zhou under such arrangements, were RMB144.4 million, RMB151.6 million, nil, and nil, respectively. As of December 31, 2018, all such financing arrangements had been fully settled by cash repayment from Mr. Zhou and all such financing arrangements had ceased.

All other amounts due from ultimate shareholders were unsecured, non-interest bearing and had no fixed repayment terms. See "– Material Related Party Transactions" in this prospectus for more details.

Amount due from ultimate shareholders decreased from RMB263.1 million as of December 31, 2017 to nil as of December 31, 2018, due to the full repayment of the aforementioned loans in cash. Our amount due from ultimate shareholders remained nil as of June 30, 2019.

Amount due to ultimate shareholders increased by RMB3.6 million from RMB19.5 million as of December 31, 2016 to RMB23.1 million as of December 31, 2017, which primarily consisted of advances to us as working capital. See "– Material Related Party Transactions".

Amount due to ultimate shareholders decreased from RMB23.1 million as of December 31, 2017 to nil as of December 31, 2018 as a result of our repayment of all working capital advanced to us by the ultimate shareholders. Our amount due to ultimate shareholders remained nil as of June 30, 2019.

As of the Latest Practicable Date, all amounts due to and from ultimate shareholders had been fully settled.

Prepayments and Other Receivables

Prepayments and other receivables consisted of (i) prepayments to suppliers and deposits primarily related, in each case, to the construction of our current campus; (ii) prepaid land lease payments to be amortized within one year; (iii) advances to employees; and (iv) other receivables. The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Current portion:				
Prepayments to suppliers	3,578	2,329	4,015	8,790
Prepaid land lease payments to be amortized within one year	15,134	15,134	15,134	–
Advances to employees	11,078	6,232	3,971	3,790
Other receivables and deposits	34,197	25,778	1,204	1,140
Total	63,987	49,473	24,324	13,720
Non-current portion:				
Prepayment for property, plant and equipment	11,323	1,546	12,528	5,121

The current portion of our prepayments and other receivables decreased by RMB14.5 million, or 22.7% from RMB64.0 million as of December 31, 2016 to RMB49.5 million as of December 31, 2017, primarily due to a decrease in other receivables and deposits, which was primarily due to settlement of outstanding rental payments by operators of student canteens and campus stores, among others.

The current portion of our prepayments and other receivables decreased by RMB25.2 million, or 50.9%, from RMB49.5 million as of December 31, 2017 to RMB24.3 million as of December 31, 2018, primarily due to a decrease in other receivables and deposits, which primarily represents rent receivable from non-related third parties.

The current portion of our prepayments and other receivables decreased by RMB10.6 million, or 43.6%, from RMB24.3 million as of December 31, 2018 to RMB13.7 million as of June 30, 2019, primarily due to a decrease in pre-paid lease payments to be amortized within one year as we adopted IFRS 16 and adjusted such amount accordingly, as partially offset by an increase of prepayments to suppliers, in particular prepaid listing expenses to be capitalized upon listing.

The non-concurrent portion of our prepayments for property, plant and equipment decreased by RMB9.8 million, from RMB11.3 million as of December 31, 2016 to RMB1.5 million as of December 31, 2017, as a result of a large amount of prepayment balances transferred to property, plant and equipment. The non-concurrent portion of our prepayments for property, plant and equipment increased by RMB11.0 million, from RMB1.5 million as of December 31, 2017 to RMB12.5 million as of December 31, 2018, as a result of increased prepayments for property, plant and equipment in 2018 in relation to our current construction project.

The non-current portion of our prepayments for property, plant and equipment decreased by RMB7.4 million, from RMB12.5 million as of December 31, 2018 to RMB5.1 million as of June 30, 2019, primarily due to the transfer of a large amount of our prepayment balance to property, plant and equipment, as our construction projects progressed.

Restricted Cash

Restricted cash decreased by RMB6.0 million from RMB36.0 million as of December 31, 2016 to RMB30.0 million as of December 31, 2017. Restricted cash mainly was the cash collateral we used to secure bank loans in order to facilitate the expansion of our University and business operation.

Restricted cash decreased to nil as of December 31, 2018 due to our repayment of the aforementioned secured bank loan, as a result of which our obligation to maintain a certain amount of restricted cash as collateral was terminated. Our restricted cash remained nil as of June 30, 2019.

Other Payables and Accruals

Other payables and accruals primarily consisted of (i) payables for purchase of property, plant and equipment, which represented the payables for purchasing of equipment and furniture; (ii) payables for construction projects, attributable to the construction services we received in relation to our current campus; (iii) other tax payable, which represented the provision for tax to be paid; (iv) payables to employees, which represented reimbursement of school operation related expenses paid by employees upfront on our behalf; (v) miscellaneous advances received from students, primarily attributable to agency fees we collected from students to facilitate payments to third parties for examination registration fees; (vi) accrued bonuses and other employee benefits; (vii) accrued interest expenses; and (viii) other payables, such as payables in relation to procurement of books. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Payables for purchase of property, plant and equipment	2,207	1,108	1,455	3,678
Payables for construction projects	566,479	437,884	214,390	268,905
Other tax payable (other than income tax and land appreciation tax)	50,133	2,616	1,773	1,038
Payables to employees	12,174	11,524	–	–
Miscellaneous advances received from students	24,649	27,816	29,599	15,916
Accrued bonuses and other employee benefits	24,276	24,396	27,388	19,519
Accrued interest expenses	1,651	2,487	1,250	1,568
Scholarship payables	–	–	–	1,443
Others	1,695	2,195	4,066	11,540
Total	683,264	510,026	279,921	323,607

Our other payables and accruals decreased by RMB173.3 million or 25.4% from RMB683.3 million as of December 31, 2016 to RMB510.0 million as of December 31, 2017, primarily reflecting (i) a decrease of RMB128.6 million in payables for construction projects, which mainly consisted of certain payments we made in 2017 to service providers and suppliers in relation to construction on our current campus; and (ii) a decrease of RMB47.5 million in other tax payable. We incurred such tax payable with respect to appreciation of the land of our old university campus when we disposed of such land in 2015.

Our other payables and accruals decreased by RMB230.0 million or 45.1%, from RMB510.0 million as of December 31, 2017 to RMB280.0 million as of December 31, 2018, primarily reflecting (i) the further decrease in payables for construction projects as certain construction projects completed; and (ii) a decrease in payables to employees from RMB11.5 million as of December 31, 2017 to nil as of December 31, 2018, which represented school operation related payments made upfront by our employees to third parties, such as for teaching equipment procurement, in 2017.

Our other payables and accruals increased by RMB43.6 million or 15.6%, from RMB280.0 million as of December 31, 2018 to RMB323.6 million as of June 30, 2019, primarily reflecting an increase in payables for construction projects from RMB214.4 million as of December 31, 2018 to RMB268.9 million as of June 30, 2019, which was in line with the progress of our construction projects, and partially offset by decreases in miscellaneous advances received from students and accrued bonuses and other employee benefits as these amounts were settled.

Outstanding payables for construction projects as of December 31, 2016, 2017, and 2018, and June 30, 2019 were RMB566.5 million, RMB437.9 million, RMB214.4 million, and RMB268.9 million, respectively, largely attributable to payments relating to phase one of our construction plan. Phase one of our construction commenced in July 2013 and was completed in August 2015. Total contract value for phase one of our construction plan was approximately RMB2.4 billion. We typically enter into agreements with each of our construction contractors covering key terms of the relevant contracts, including:

- the expected commencement and completion dates of the construction projects, as agreed by both parties;
- the agreed-upon contract price, determined with reference to relevant government guidance;
- post-completion quality checks in accordance with industry standards;
- payment terms, including the use of stage payments. According to the relevant construction contracts, we generally are obligated to pay approximately 65% of the contract price for the completed work of the construction project once an agreed-upon milestone is reached. Such milestones include, among others, the completion of the foundation of the building under construction, the completion of the main structure of the building under construction, the completion of the construction of the building, and the completion of interior decoration of the building. We are obligated to pay approximately 80% of the full contract price after passing the post-completion quality check. Once the relevant completion audit is completed, we are obligated to pay approximately 90% of the full audited contract price, and approximately 95% of the full audited contract price shall be subsequently settled one-year post the completion of the relevant completion audit. In addition, for certain construction contracts, a certain percentage of the contract price is kept as retention fees as set forth in such construction contracts, and the full payment of the retention fees will be made to the contractor after the warranty period runs out following the contractual payment schedule; and
- customary dispute resolution mechanisms.

We pay construction fees to our contractors in stages pursuant to the construction contracts and subsequent agreement between us and these contractors. For certain construction projects, we retain a certain amount of construction fees as retention fees and will make full payment to the contractors after the warranty period runs out. As of June 30, 2019, payables for construction projects were approximately RMB268.9 million, of which approximately RMB150 million was in relation to phase one of our construction plan and approximately RMB118.9 million was in relation to phase two of our construction plan. As mutually agreed by our contractors and us, these construction fees are expected to be fully paid by 2022. Such payment terms were provided to us by those contractors mainly because of: (i) our creditworthiness, being the operator of the largest private university in Shanghai; and (ii) to maintain a good long-term business relationship, considering historical cooperation (one of the general contractors was also the contractor of our previous campus) and our continuing construction plan. The table below sets forth an aging analysis of our payables for construction projects as of June 30, 2019:

	As of June 30, 2019
	(RMB in thousands)
Less than one year	118,875
Over one year	150,030
Total	268,905

As of the Latest Practicable Date, approximately RMB176.5 million or 65.6% of our construction payables as of June 30, 2019 had been subsequently settled. As agreed by the respective contractors, we expect that all outstanding payables for construction projects to be fully paid by 2022 with the proceeds from this Global Offering and cash generated from our operations.

Contract Liabilities

During the Track Record Period, our contract liabilities represented tuition fees and boarding fees collected from students of our University in advance at the beginning of each school year and which we had not yet recognized as revenue. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Tuition fees	153,722	187,269	221,170	29,859
Boarding fees	26,099	32,952	38,938	13,992
Total	179,821	220,221	260,108	43,851

Our contract liabilities increased from RMB179.8 million as of December 31, 2016 to RMB220.2 million as of December 31, 2017, primarily due to the increased tuition fees and boarding fees we received for the 2016/2017 school year as a result of the increased student enrollment of our University. Our contract liabilities increased from RMB220.2 million as of December 31, 2017 to RMB260.1 million as of December 31, 2018, mainly due to the tuition and boarding fees we received from students enrolled at our University in September 2018, most of which had yet to be recognized as revenue. Our contract liabilities decreased from RMB260.1 million as of December 31, 2018, to RMB43.9 million as of June 30, 2019, primarily because a large portion of the tuition fees and boarding fees collected from students for the 2018/2019 school year were recognized as revenue as the school year progressed.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash were to fund our working capital requirements, our purchase of property, plant and equipment and to repay bank loans and other borrowings and related interest expenses. During the Track Record Period, we funded our operations principally with cash generated from our operations and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings and the net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrollment, or our tuition 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, and June 30, 2019, we had cash and cash equivalents of RMB266.3 million, RMB39.6 million and RMB442.1 million and RMB195.4 million, respectively. As of October 31, 2019, being the latest practicable date for the purpose of determining our indebtedness, we had cash and cash equivalents of RMB348.7 million.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(RMB in thousands)				
Operating cash flow before changes in working capital	94,388	124,055	171,929	88,166	114,293
Net cash flows from/(used in) operating activities	110,090	54,901	207,588	(175,704)	(104,400)
Net cash flows from/(used in) investing activities	26,754	(160,503)	(51,946)	151,738	(143,170)
Net cash flow from/(used in) financing activities	99,605	(121,113)	246,835	337,751	900
Net increase/(decrease) in cash and cash equivalents	236,449	(226,715)	402,477	313,785	(246,670)
Cash and cash equivalents at beginning of year/period	29,867	266,316	39,601	39,601	442,078
Cash and cash equivalents at end of year/period	266,316	39,601	442,078	353,386	195,408

Cash Flows from/(used in) Operating Activities

Our cash inflow from operating activities primarily was from tuition and boarding fees, all of which were typically paid in advance before the respective services are rendered. Tuition and boarding fees are initially recorded under contract liabilities. We recognize tuition fees received as revenue proportionately over a school year excluding a two-month summer break and a one-month winter break, and boarding fees received over a 12-month period as students can live in the dormitory for the full year. Our cash flow under operating activities is primarily from (i) profit before taxation adjusted for non-cash and non-operating items, such as finance costs, bank interest income, loss on disposal of items of property, plant and equipment, depreciation, amortization of intangible assets, and receipt of government grants; and (ii) other cash items mainly consist of interest received and tax paid.

For the six months ended June 30, 2019, our net cash flow used in operating activities was RMB104.4 million, primarily reflecting (i) profit before tax of RMB81.5 million; (ii) adjustments on non-cash items of depreciation of property, plant and equipment of RMB24.0 million; and (iii) adjustments on finance cost of RMB23.5 million, as offset by decrease in contract liabilities of RMB216.3 million; and (iv) government grants released of RMB22.4 million. As the majority of our cash from operations comes in the form of tuition fees and boarding fees collected from our students at the beginning of each school year, cash flow from operating activities for the first six months of a calendar year is typically negative.

For the year ended December 31, 2018, our net cash flow generated from operating activities was RMB207.6 million, primarily reflecting (i) profit before tax of RMB110.2 million; (ii) adjustments for finance costs of RMB58.2 million; (iii) adjustments on non-cash items of depreciation of property, plant and equipment of RMB47.0 million; (iv) receipt of government grants of RMB54.6 million; and (v) an increase in contract liabilities of RMB39.9 million related to the tuition and boarding fees we collected for the 2018/2019 school year, as partially offset by (i) tax paid of RMB76.5 million; (ii) government grants released of RMB57.6 million; and (iii) a decrease in other payables and accruals of RMB6.7 million.

For the year ended December 31, 2017, our net cash flow generated from operating activities was RMB54.9 million, primarily reflecting (i) profit before tax of RMB47.5 million; (ii) adjustments for finance costs of RMB55.0 million; (iii) positive adjustments on non-cash items of depreciation of property, plant and equipment of RMB45.7 million; and (iv) receipt of government grants of RMB62.5 million related to the education services provided by our University, as partially offset by (i) tax paid of RMB132.4 million related to income from the disposal of our previous campus land in 2015; and (ii) decrease in other payables and accruals of RMB44.4 million primarily due to certain outstanding value-added tax and other relevant taxes payables were settled along.

For the year ended December 31, 2016, our net cash flow generated from operating activities was RMB110.1 million, primarily reflecting (i) receipt of government grants of RMB28.1 million; (ii) adjustments for finance costs of RMB52.0 million; (iii) adjustments on non-cash items of depreciation of property, plant and equipment of RMB41.7 million; and (iv) increase in contract liabilities of RMB34.7 million representing the tuition and boarding fees we received, as partially offset by a decrease in other payables and accrual of RMB48.2 million due to certain outstanding balance.

Cash Flows from/(Used in) Investing Activities

Investing activities primarily consisted of purchases of items of property, plant and equipment; purchases of other intangible assets, advances to ultimate shareholders and related companies, and repayment from ultimate shareholders and related companies.

For the six months ended June 30, 2019, our net cash flow used in investing activities amounted to RMB143.2 million, primarily reflecting purchases of property, plant and equipment of RMB142.9 million in relation to the continuing construction of our current campus.

For the year ended December 31, 2018, our net cash flow used in investing activities amounted to RMB51.9 million, primarily reflecting purchase of items of property, plant and equipment of RMB337.3 million in relation to the continuing construction of our current campus, partially offset by repayments from an ultimate shareholder of RMB242.0 million.

For the year ended December 31, 2017, our net cash flow used in investing activities was RMB160.5 million, primarily reflecting (i) purchase of items of property, plant and equipment of RMB154.7 million in relation to continuing construction of our current campus, and (ii) advance to an ultimate shareholders of RMB35.9 million, partially offset by cash inflow from disposal of items of property, plant and equipment of RMB9.6 million as we moved to our current campus and disposed of certain obsolete teaching equipment and electronic devices.

For the year ended December 31, 2016, our net cash flow from investing activities was RMB26.8 million, primarily reflecting cash inflow from disposal of items of property, plant and equipment of RMB331.1 million in relation to our disposal of the land for our previous campus and obsolete equipment as we moved to our current campus, partially offset by (i) purchase of items of property, plant and equipment of RMB217.9 million in relation to the construction of our current campus, and (ii) advance to an ultimate shareholder of RMB115.0 million.

Cash Flows from/(used in) Financing Activities

Our cash flows relating to financing activities were primarily proceeds from and repayments for interest-bearing bank and other borrowings and payment for interest expense on bank borrowings, advances to/from related companies and ultimate shareholders, and repayment to/from related companies and ultimate shareholders, increase/decrease in restricted cash and interest paid.

For the six months ended June 30, 2019, our net cash flow from financing activities was RMB0.9 million, primarily reflecting new interest-bearing bank and other borrowings of RMB79.6 million, as partially offset by repayment of interest-bearing bank and other borrowings of RMB50.0 million and interest paid of RMB27.9 million.

For the year ended December 31, 2018, our net cash flows from financing activities was RMB246.8 million, primarily reflecting (i) repayment from related companies of RMB448.0 million; and (ii) proceeds from interest-bearing bank and other borrowings of RMB310.0 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB553.0 million.

For the year ended December 31, 2017, our net cash flow used in financing activities was RMB121.1 million, primarily reflecting (i) repayment of interest-bearing bank and other borrowings of RMB367.2 million, and (ii) advance to related companies of RMB298.1 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB575.6 million.

For the year ended December 31, 2016, our net cash outflow from financing activities was RMB99.6 million, primarily reflecting proceeds from interest-bearing bank and other borrowings of RMB491.5 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB349.8 million.

Working Capital

As of December 31, 2016, 2017 and 2018, and June 30, 2019, we had cash and cash equivalents of RMB266.3 million, RMB39.6 million, RMB442.1 million, and RMB195.4 million, respectively.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the cost of maintaining and upgrading our existing school campus or constructing current campuses, purchasing additional educational facilities and equipment 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, and the net proceeds from the Global Offering.

Our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this prospectus, and are able to continue our business as a going concern in light of the net current liabilities during the Track Record Period, after taking into account (i) the estimated net proceeds of the Global Offering; (ii) cash flows generated from our operations; (iii) existing bank facilities and the fact that we have been able to obtain financing facilities during the Track Record Period; and (iv) we have been accumulating net profits since the beginning of the Track Record Period. 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.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to payments for the construction of our current campus, purchase of additional educational equipment and other intangible assets amounted to RMB219.4 million, RMB155.4 million, RMB337.8 million, and RMB143.2 million, respectively, for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019.

The following table sets forth a summary of our capital expenditures for the years indicated.

	Year ended December 31,			Six months ended June 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Property, plant and equipment	217,881	154,714	337,284	142,875
Other intangible assets	1,549	653	560	295
Total	219,430	155,367	337,844	143,170

We expect to incur approximately RMB150.5 million in capital expenditures in the second half of 2019 and RMB67.7 million in 2020 primarily for continuing construction of our current campus, which we expect to fund primarily through cash generated from operations, bank facilities and the net proceeds from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily were related to the acquisition of property, plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Contracted, but not provided for:				
Property, plant, and equipment	–	181,095	144,912	12,576

Operating Lease Arrangements

As lessor

We lease certain of our properties under operating lease arrangements, with lease terms ranging primarily from two to ten years. The following table sets forth our future minimum lease receivables payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Within one year	6,420	6,341	5,504	3,826
In the second to fifth years, inclusive	21,219	18,918	17,623	12,892
Beyond five years	16,063	12,023	8,333	4,500
Total	43,702	37,282	31,460	21,218

INDEBTEDNESS

Bank Loans and Other Borrowings

Our bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises. Our bank loans and other borrowings as of December 31, 2016, 2017 and 2018, and June 30, 2019, being the last day of our Track Record Period, and October 31, 2019, being the latest practicable date for the purpose of our indebtedness statement, were as follows:

	As of December 31,			As of June 30,	As of October 31
	2016	**2017**	**2018**	**2019**	**2019**
	(RMB in thousands)				
Bank loans and other borrowings					
Current					
Bank borrowings – secured	242,000	333,620	55,000	25,000	25,000
Current portion of long-term bank loans – secured	85,000	129,500	120,400	148,000	175,000
Finance lease payables – secured	–	11,440	–	–	–
Total current	327,000	474,560	175,400	173,000	200,000
Non-current					
Bank borrowings – secured	831,180	871,680	951,280	983,280	869,280
Finance lease payables – secured	–	21,182	–	–	–
Total non-current	831,180	892,862	951,280	983,280	869,280
Total Bank loans and other borrowings	1,158,180	1,367,422	1,126,680	1,156,280	1,069,280

The below table sets forth the maturity of our interest-bearing bank and other borrowing for the periods indicted:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Repayable within one year	327,000	474,560	175,400	173,000	200,000
Repayable in the second year	129,500	156,582	153,500	168,000	178,000
Repayable within two to five years	380,400	440,000	440,500	474,000	525,000
Repayable in more than five years	321,280	296,280	357,280	341,280	166,280
Subtotal	831,180	892,862	951,280	983,280	869,280
Total	1,158,180	1,367,422	1,126,680	1,156,280	1,069,280

We primarily borrowed loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. Our bank loans and other borrowings as of December 31, 2016, 2017 and 2018, and as of June 30, 2019 were all denominated in Renminbi. As of December 31, 2016, our bank and other borrowings bore effective interest rates ranging from 4.35% to 9.00% per annum. As of December 31, 2017, our bank and other borrowings bore effective interest rates ranging from 4.35% to 9.00% per annum. As of December 31, 2018, our bank and other borrowings bore effective interest rates ranging from 4.66% to 5.66% per annum. As of June 30, 2019, being the last day of our Track Record Period, our bank and other borrowings bore effective interest rates ranging from 4.66% to 5.94% per annum. As of October 31, 2019, being the latest practicable date for the purpose of our indebtedness statement, our bank and other borrowings bore effective interest rates ranging from 4.66% to 5.94% per annum. As of October 31, 2019, we had unutilized banking facilities of approximately RMB310 million.

Subsequent to October 31, 2019, we entered into two additional short-term working capital bank loans. On November 25, 2019, we entered into a loan with the Nanhui branch of Agricultural Bank of China for a principal amount of RMB25.0 million. Such loan bore an effective interest rate of 4.35% per annum. On December 11, 2019, we entered into a loan with the Nanhui branch of Agricultural Bank of China for a principal amount of RMB75.0 million. Such loan bore an effective interest rate of 4.35% per annum.

Bank and other borrowings guaranteed by related parties

Certain of our Group's bank and other borrowings were guaranteed by related parties over the Track Record Period. The following table sets out the amount of our bank and other borrowings guaranteed by our related parties as of the indicated dates:

	As of December 31,			As of June 30,	As of October 31, 2019 (being the latest practicable date for the purpose of our indebtedness statement)
	2016	2017	2018	2019	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Name of related parties					
Jointly, Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	746,680	691,680	626,680	626,680	556,680[(1)(6)]
Jointly, Jian Qiao Assets Management and Mr. Zhou Xingzeng	–	–	200,000	214,600	214,600[(2)(6)]
Mr. Zhou Xingzeng	–	176,820	25,000	25,000	25,000[(3)]
Jointly, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	239,500	374,500	275,000	165,000	185,000[(4)]
Jointly, Mr. Zhou Xingzeng, Ms. Huang Xiaomei and Mr. Shi Yinjie	–	5,000[(5)]	–	–	–
Total	986,180	1,248,000	1,126,680	1,031,280	976,280

Notes:

(1) This amount relates to guarantees for a bank facility of RMB800 million with China Construction Bank Shanghai Pudong Branch (中國建設銀行上海浦東分行) for a loan period of 12 years from January 17, 2014. Written confirmation has been obtained from the bank to release such guarantees and replace all related party guarantors (i.e. Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei) with the Company or its subsidiary as guarantor(s) upon the Listing.

(2) This amount relates to guarantees for a bank facility of RMB165 million with China Construction Bank Shanghai Pudong Branch (中國建設銀行上海浦東分行) for a loan period of eight years from September 28, 2018 and a bank facility of RMB85 million with China Construction Bank Shanghai Pudong Branch (中國建設銀行上海浦東分行) for a term of eight years from September 29, 2018. Written confirmation has been obtained from the bank to release such guarantees and replace all related party guarantors (i.e. Jian Qiao Assets Management and Mr. Zhou Xingzeng) with the Company or its subsidiary as guarantor(s) upon the Listing.

(3) This amount relates to a guarantee for RMB50 million of a bank facility of RMB150 million with Ping An Bank Shanghai Branch (平安銀行上海分行) for a loan period of one year from December 3, 2018. Written confirmation has been obtained from the bank to release such guarantee and replace the related party guarantor (i.e. Mr. Zhou Xingzeng) with Gench WFOE as guarantor upon the Listing.

(4) This amount relates to guarantees for a bank facility of RMB200 million with China Bohai Bank Shanghai Branch (渤海銀行上海分行) for a loan period of five years from September 5, 2017. Written confirmation has been obtained from the bank to release such guarantees and replace all related party guarantors (i.e. Mr. Zhou Xingzeng and Ms. Huang Xiaomei) with Gench WFOE as guarantor upon the Listing.

(5) The relevant guarantee was released upon full settlement of the relevant bank borrowings in December 2017.

(6) The relevant bank facilities with China Construction Bank Shanghai Pudong Branch (中國建設銀行上海浦東分行) are also jointly guaranteed by our School Sponsors and secured by our University's rights over tuition fees and boarding fees.

Bank borrowings secured by our Group's rights over tuition fees and boarding fees

Certain of our Group's bank borrowings were secured by the rights to receive tuition fees and boarding fees of our University. See also note 24 to the Accountants' Report in Appendix I to this prospectus for details on these secured bank borrowings. The following table sets forth the details of our bank borrowings which were secured by our rights over tuition fees and boarding fees over the Track Record Period:

Lender	Bank facilities	Bank borrowings as of June 30, 2019	Interest rate per annum	Term (date incurred)	Guarantee/security given[1]	Purpose of the loan
	(RMB)	*(RMB)*				
China Construction Bank Shanghai Pudong Branch (中國建設銀行上海浦東分行)	800 million	626.68 million	5% floating range lower than the benchmark interest rate of the People's Bank of China	12 years (January 17, 2014)	– Corporate guarantees by our School Sponsors – Pledge over our University's rights to tuition fees and boarding fees	Construction projects on the current campus of our University
	165 million	132 million		Eight years (September 28, 2018)		
	85 million	82.6 million		Eight years (September 29, 2018)		

Note:

(1) As disclosed in "— Indebtedness — Bank and other borrowings guaranteed by related parties", such bank borrowings are also guaranteed by certain related parties, including Jian Qiao Assets Management, Mr. Zhou Xingzeng, and Ms. Huang Xiaomei. All such guarantees from related parties will be released and replaced with guarantees from our Group upon the Listing.

Other than bank borrowings disclosed in the above chart, we did not have any other bank and other borrowings that were secured by our University's rights over tuition fees and boarding fees.

Our Directors confirmed that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirmed that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Disclaimer

Except as disclosed above, as of October 31, 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 confirmed that, except as disclosed above, there has not been any material change in our indebtedness and contingent liabilities since October 31, 2019.

CONTINGENT LIABILITIES

During the Track Record Period, we provided guarantees in relation to certain bank loans of our then subsidiaries, which were treated as related parties as a result of the Demerger. We believe the provision of such guarantees to our then subsidiaries was in line with general market practice in China. See note 32(3) to the Accountants' Report in Appendix I to this prospectus which sets out the maximum amount of bank loan of our related parties for which we have contractually agreed to guarantee as of the relevant balance sheet dates in the Track Record Period. The actual amount of bank loans outstanding under such guarantees fluctuated from time to time during the Track Record Period and may be less than the contractual maximum under such guarantees at any point in time. In respect of one guarantee provided by Jian Qiao Group covering a maximum bank loan amount of RMB73.99 million of a related party, pursuant to a supplemental agreement dated December 29, 2018 among Jian Qiao Group, the relevant bank creditor and Jian Zhi Qiao Development, (i) Jian Zhi Qiao Development replaced Jian Qiao Group as guarantor under such guarantee; and (ii) all of the rights and obligations of Jian Qiao Group under such guarantee (whether before or after the date of the supplemental agreement) were transferred to Jian Zhi Qiao Development upon signing the said supplemental agreement. As advised by our PRC Legal Advisors, our Group is not held liable for the relevant bank loans under such guarantee pursuant to the supplemental agreement and as further clarified by a second supplemental agreement dated August 9, 2019 among the same parties. With the exception of this one guarantee transferred pursuant to the supplemental agreement, all other guarantees given by us are disclosed in note 32(3) to the Accountants' Report and were released upon full settlement of the relevant bank loans in May and December 2018.

As of the Latest Practicable Date, we did not have any significant contingent liabilities, guarantees or any material litigation against us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

Outstanding Balances with Related Parties

During the Track Record Period, we entered into transactions with our related parties from time to time. The following table sets forth our outstanding balances with related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Due from related companies:				
Trade related				
Jian Qiao Education & Training	1,000	2,000	–	–
Due from ultimate shareholders:				
Non-trade related				
Mr. Zhou Xingzeng	195,550	238,657	–	–
Mr. Zheng Xiangzhan	1,850	–	–	–
Mr. Shi Yinjie	8,082	10,282	–	–
Mr. Wang Chengguang	500	1,500	–	–
Mr. Wang Hualin	10,298	10,498	–	–
Mr. Chen Zhiyong	200	2,200	–	–
	216,480	263,137	–	–
Due from related companies:				
Non-trade related				
Jian Qiao Education & Service	19,860	28,813	–	–
Jian Zhi Qiao Development	124,835	407,287	–	–
Jian Zhi Qiao Management	22,764	8,871	–	–
Shanghai Zhengyi	3,000	3,000	–	–
	170,459	447,971	–	–

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Due to ultimate shareholders:				
Non-trade related				
Mr. Chen Shengcai	2,450	2,488	–	–
Mr. Chen Shengfang	12,260	12,310	–	–
Mr. Bao Jianmin	4,820	8,350	–	–
	19,530	23,148	–	–
Due to related companies:				
Non-trade related				
Jian Zhi Qiao Development	–	–	821	–
Wenzhou Zhongda	74	–	–	
Shanghai Aohui	17,025	19,601	–	–
	17,099	19,601	821	–

Except for certain loans to Mr. Zhou Xingzeng, balances with the above related parties were unsecured, non-interest bearing and had no fixed repayment terms. Please refer to note 32 to the Accountants' Report in Appendix I to this prospectus for details of these and other related party transactions.

During the Track Record Period, Mr. Zhou had certain borrowings and repayment financing arrangements pursuant to which Jian Qiao Group and Jian Qiao Investment obtained loans from banks and then lent the same amount to Mr. Zhou. Under such financing arrangements, Jian Qiao Group and Jian Qiao Investment charged Mr. Zhou the same amount of interest as they were charged by the banks. Over the course of the Track Record Period, we extended 13 loans for a cumulative total amount of RMB445.12 million to Mr. Zhou under such arrangements. All such loans were unsecured, with terms ranging from two months to one year and bore interest at rates of 4.35%-16.00% per annum. As of December 31, 2016, 2017 and 2018, and June 30, 2019, amounts due from Mr. Zhou were RMB144.4 million, RMB151.6 million, nil, and nil, respectively. All such financing arrangements had been fully settled by cash repayment from Mr. Zhou and ceased by December 31, 2018.

As of December 31, 2018, both loans from the banks and loans to Mr. Zhou had been repaid in full and such financing arrangements had also ceased. Our Directors confirm that we will not continue such financing arrangement after the Listing. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any pending or threatened legal claims, disputes or proceedings brought by the lending banks against us, Jian Qiao Group or Jian Qiao Investment for utilizing the proceeds of the loans for non-education businesses.

According to our PRC Legal Advisors, the borrowing and repayment financing arrangements entered into by Mr. Zhou, Jian Qiao Group and Jian Qiao Investment did not violate the Lending General Provisions (中國人民銀行貸款通則) promulgated by the People's Bank of China in 1996.

Our Directors believe that each of the related party transactions set out in note 32 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

LISTING EXPENSES

We expect to incur a total of RMB68.6 million of listing expenses (assuming an Offer Price of HK$6.89, being the mid-point of the indicative Offer Price range between HK$6.05 and HK$7.73, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB40.8 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB27.9 million is directly attributable to the issue of the Shares to the public and will be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/ for the six months ended June 30,
	2016	**2017**	**2018**	**2019**
Gross profit margin(1)	42.8%	45.8%	52.3%	57.9%
Net profit margin(2)	4.4%	12.9%	25.6%	31.9%
Return on assets(3)	0.4%	1.5%	3.9%	6.0%
Return on equity(4)	2.0%	6.7%	12.2%	16.7%
Current ratio(5)	0.5	0.6	0.7	0.4
Interest coverage ratio(6)	1.3	1.9	2.9	4.5
Net debt to equity ratio(7)	1.4	1.9	0.8	1.0
Gearing ratio(8)	1.8	2.0	1.3	1.2
Total debt to assets ratio(9)	0.4	0.4	0.4	0.4

Notes:

(1) Gross profit margin equals our gross profit divided by revenue for the year/period.

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

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

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

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

(6) Interest coverage ratio equals profit before interest and tax of one year/period divided by finance cost of the same year/period.

(7) Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(8) Gearing ratio equals total debt as of the end of the year/period divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

(9) Total debt to assets ratio equals total interest-bearing bank and other borrowings at the end of the year/period divided by total assets at the end of the year/period.

Analysis of Key Financial Ratios

Return on Assets

Our return on assets increased from 0.4% as of December 31, 2016 to 1.5% as of December 31, 2017, primarily due to the increase in our net profit at a faster pace than our total assets. Our return on assets increased to 3.9% as of December 31, 2018, mainly due to the increase in our net profit. Our return on assets as of June 30, 2019 was 6.0% on an annualized basis, which was higher than the return on assets ratio as of December 31, 2018, mainly due to an increase in our annualized net profit.

Return on Equity

Our return on equity increased from 2.0% as of December 31, 2016 to 6.7% as of December 31, 2017, primarily because our net profit increased at a faster pace than our equity. Our return on equity increased from 6.7% as of December 31, 2017 to 12.2% as of December 31, 2018, mainly due to the increase in our net profit. Our return on equity as of June 30, 2019 was 16.7% on an annualized basis, which was higher than our return on equity as of December 31, 2018, mainly because due to an increase in our annualized net profit.

Current Ratio

Our current ratio increased from 0.5 for the year ended December 31, 2016 to 0.6 for the year ended December 31, 2017, primarily attributable to the increase in long-term interest-bearing bank and other borrowings. Our current ratio increased to 0.7 for the year ended December 31, 2018, primarily due to the repayment of interest-bearing bank and other borrowings. Our current ratio decreased to 0.4 for the six months ended June 30, 2019, mainly due to the decrease in our current assets as we used cash in operating activities and capital expenditures. Our current liabilities decreased in a similar amount due to the decrease in our contract liabilities.

Interest Coverage Ratio

Our interest coverage ratio increased from 1.3 for the year ended December 31, 2016 to 1.9 for the year ended December 31, 2017, primarily due to our profit before interest and tax increasing while finance costs remained relatively stable for the same years. Our interest coverage ratio slightly increased to 2.9 for the year ended December 31, 2018. Our interest coverage ratio increased to 4.5 for the six months ended June 30, 2019, mainly due to the increase in our profit before interest and tax and decrease of our finance cost for the same period.

Net Debt to Equity Ratio

Our net debt to equity ratio increased from 1.4 as of December 31, 2016 to 1.9 as of December 31, 2017, primarily due to the increase in our interest-bearing bank loans and other borrowings related to our construction projects as compared to the relatively stable equity for the same years. Our net debt to equity ratio decreased to 0.8 as of December 31, 2018, primarily due to the decrease in our interest-bearing bank loans and other borrowings as we repaid to a portion of our outstanding borrowings. Our net debt to equity ratio increased to 1.0 as of June 30, 2019, mainly due to the decrease in cash and cash equivalents as we used cash in operating activities and capital expenditures. Our cash inflow primarily comes in August every year in the form of tuition fees and boarding fees from students.

Gearing Ratio

Our gearing ratio increased from 1.8 for the year ended December 31, 2016 to 2.0 for the year ended December 31, 2017, mainly attributable to our incurring additional loans to help fund construction of our current campus. Our gearing ratio decreased to 1.3 for the year ended December 31, 2018, primarily due to repayment of loans we borrowed in relation to construction projects on our current campus. Our gearing ratio decreased to 1.2 for the six months ended June 30, 2019, mainly due to an increase of our reserves in relation to our increasing business performance, while our bank loans as of June 30, 2019 remained relatively stable as compared to our bank loans as of December 31, 2018.

Total Debt to Assets Ratio

Our total debt to assets ratio was 0.4 as of each of December 31, 2016, 2017, 2018, and June 30, 2019.

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 June 30, 2019.

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 University, which are primarily incorporated in China. Our University must comply with its constitutional documents and the laws and regulations of China in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC foreign investment enterprises, our Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

During the Track Record Period, we did not declare nor distribute any dividends.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2019 (being the date on which the latest consolidated financial information of our Group was prepared) and there is no event since June 30, 2019 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. For further details, including the relevant sensitivity analysis, see note 35 to the Accountants' Report set out in Appendix I to this prospectus.

Interest Rate Risk

Our exposure to changes in market interest rates relates primarily to its interest-bearing bank and other borrowings and finance lease payables. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables held constant, our profit before tax, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB505,000, RMB509,000, RMB553,000 and RMB281,000 for the years ended December 31 2016, 2017 and 2018, and the six months ended June 30, 2019, respectively.

Credit Risk

We only trade with recognized and creditworthy third parties. It is our policy that all customers who wish to receive credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The table below shows the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as on December 31, 2016, 2017 and 2018, and June 30, 2019. The amounts presented are gross carrying amounts for financial assets, finance lease receivables and net investment in subleases.

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
		(RMB in thousands)			
June 30, 2019					
Accounts receivable	–	–	–	4,306	4,306
Financial assets included in prepayments and other receivables	4,930	–	–	–	4,930
Cash and cash equivalents	195,408	–	–	–	195,408
	200,338	–	–	4,306	204,644

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB in thousands)				
December 31, 2018					
Accounts receivable	–	–	–	4,187	4,187
Financial assets included in prepayments and other receivables	5,175	–	–	–	5,175
Cash and cash equivalents	442,078	–	–	–	442,078
	447,253	–	–	4,187	451,440
December 31, 2017					
Accounts receivable	–	–	–	3,751	3,751
Due from ultimate shareholders	263,137	–	–	–	263,137
Due from related companies	449,971	–	–	–	449,971
Financial assets included in prepayments and other receivables	32,010	–	–	–	32,010
Restricted cash	30,000	–	–	–	30,000
Cash and cash equivalents	39,601	–	–	–	39,601
	814,719	–	–	3,751	818,470
December 31, 2016					
Accounts receivable	–	–	–	2,853	2,853
Due from ultimate shareholders	216,480	–	–	–	216,480
Due from related companies	171,459	–	–	–	171,459
Financial assets included in prepayments and other receivables	45,275	–	–	–	45,275
Restricted cash	36,000	–	–	–	36,000
Cash and cash equivalents	266,316	–	–	–	266,316
	735,530	–	–	2,853	738,383

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of our financial liabilities as of December 31, 2016, 2017 and 2018, and June 30, 2019, based on the contractual undiscounted payments, was as follows:

	As of June 30, 2019				
	On demand	Less than three months	Three to twelve months	Over one year	Total
	(RMB in thousands)				
Financial liabilities included in other payables and accruals	303,050	–	–	–	303,050
Interest-bearing bank and other borrowings	–	102,665	119,181	1,111,924	1,333,770
	303,050	102,665	119,181	1,111,924	1,636,820

	As of December 31, 2018				
	On demand	Less than three months	Three to twelve months	Over one year	Total
	(RMB in thousands)				
Financial liabilities included in other payables and accruals	250,760	–	–	–	250,760
Due to related companies	821	–	–	–	821
Interest-bearing bank and other borrowings	–	24,469	190,753	1,052,333	1,267,555
	251,581	24,469	190,753	1,052,333	1,519,136

	As of December 31, 2017				
	On demand	**Less than three months**	**Three to twelve months**	**Over one year**	**Total**
	(RMB in thousands)				
Financial liabilities included in other payables and accruals	483,013	–	–	–	483,013
Due to related companies	19,601	–	–	–	19,601
Due to ultimate shareholders	23,148	–	–	–	23,148
Finance lease payables	–	3,497	10,489	22,873	36,859
Interest-bearing bank and other borrowings	–	49,840	481,066	1,012,357	1,543,263
	525,762	53,337	491,555	1,035,230	2,105,884

	As of December 31, 2016				
	On demand	**Less than three months**	**Three to twelve months**	**Over one year**	**Total**
	(RMB in thousands)				
Financial liabilities included in other payables and accruals	608,856	–	–	–	608,856
Due to related companies	17,099	–	–	–	17,099
Due to ultimate shareholders	19,530	–	–	–	19,530
Interest-bearing bank and other borrowings	–	28,804	348,248	988,848	1,365,900
	645,485	28,804	348,248	988,848	2,011,385

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following table showing our unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2019 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2019 or any future date. It is prepared based on our consolidated net tangible assets as of June 30, 2019 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of our Company as of June 30, 2019[(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)]	
		(RMB in thousands)		*RMB*	*HK$[(4)]*
Based on the Offer Price of HK$6.05 per Share	969,046	493,215	1,462,261	3.66	4.07
Based on the Offer Price of HK$7.73 per Share	969,046	644,230	1,613,276	4.03	4.48

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of June 30, 2019 is extracted from the Accountants' Report, which is based on the consolidated equity attributable to owners of our Company as of June 30, 2019 of approximately unaudited RMB970.9 million after deducting intangible assets of RMB1.8 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$6.05 per Share and HK$7.73 per Share, after deduction of the underwriting fees and other related expenses payable by the Group 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 RMB0.8990.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 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 RMB0.89897.

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield Limited, an independent valuer, valued our property interest as of October 31, 2019. The text of the valuation report, valuation summary and valuation certificates are set out in Appendix III to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of our property interests from our consolidated financial statements as of June 30, 2019 to the valuation of selective property interests as of October 31, 2019.

	Amount
	(RMB in thousands)
Buildings and construction in progress included in property, plant and equipment	1,812,927
Lease prepayments	665,887
Add: additions in buildings and construction in progress	29,270
Less: disposal	59
Less: depreciation and amortization for the four month ended October 31, 2019	20,397
Net book value of our property interests as of October 31, 2019	2,487,628
Valuation surplus as of October 31, 2019	2,725,372
Valuation as of October 31, 2019 as set out in Appendix III to this prospectus	5,213,000

FUTURE PLANS

See "Business – Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$632.6 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an initial Offer Price of HK$6.89 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus.

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

- approximately 34.8% (approximately HK$220.0 million) is expected to be applied towards acquisitions or investments to expand our school network. As of the Latest Practicable Date, we had yet to identify any definitive acquisition target or confirmed the number of schools to be acquired or the timeframe involved. We had yet to enter into any legally binding agreement with respect to the acquisition of other schools. We are in the preliminary stage of evaluating potential opportunities and have yet to complete any concrete feasibility studies. We intend to prioritize target schools, the school sponsors of which have elected them to be or intend to elect them to be for-profit schools, and which have student enrollment of at least 5,000 students and revenue of at least RMB100 million. In terms of geographic locations, we intend to prioritize suitable target schools in east China, particularly in the Yangtze River Delta. See the section headed "Business – Our Business Strategies – Expand our school network and increase our market penetration;"

- approximately 35.0% (approximately HK$221.4 million) is expected to be used primarily to finance construction projects on our campus and purchase of furniture and equipment, including construction of one multi-function building for administrative and student practical skills training purposes for our college of gemology and two student dormitory buildings which will increase our school capacity by 4,000, a dormitory ancillary building for laundry rooms, dormitory management and other boarding related services, and an underground parking garage. The construction work with respect to the aforementioned buildings commenced in April 2018 and was completed in August 2019. As of the Latest Practicable Date, we were in the process of obtaining the building ownership certificate of these buildings. Approximately HK$115 million is expected to be used in connection with such construction projects and purchase of furniture and equipment related to such projects. The remaining amount, approximately HK$106.4 million, is expected to be used to settle a portion of the outstanding balance from previous construction projects on our campus;

- approximately 20.2% (approximately HK$127.9 million) is expected to be used primarily to repay our short-term loans and the current portion of our long-term loans as they become due, the details of which are set forth as follows:

Lender	Amount to be repaid with the proceeds from the Global Offering	Interest rate per annum	Date such amount is due	Loan purpose
China Minsheng Bank	RMB15 million (approximately HK$16.7 million)	4.9875%	January, 2020	Working capital supplement
China Bohai Bank	RMB2.5 million (approximately HK$2.8 million)	5.4625%	March 10, 2020	Working capital supplement
China Bohai Bank	RMB17.5 million (approximately HK$19.5 million)	5.4625%	September 10, 2020	Working capital supplement
China Construction Bank	RMB60 million (approximately HK$66.7 million)	4.6550%	September 20, 2020	Campus development and construction
China Construction Bank	RMB20 million (approximately HK$22.2 million)	4.6550%	October 20, 2020	Campus development and construction

- approximately 10.0% (approximately HK$63.3 million) is expected to be used to supplement our working capital and for general corporate purposes.

In the event that the Offer Price is set at the low-end or high-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$548.6 million and HK$716.6 million, respectively. 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$736.0 million, assuming an Offer Price of HK$6.89 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$96.0 million and HK$96.6 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that our net proceeds are not sufficient to fund the above purposes, we intend to fund the balance through a variety of means, including our internal resource, cash generated from our operations and debt and equity financing. To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

THE CORNERSTONE PLACING

We and the Joint Global Coordinators or the Sole Representative, as the case may be, have entered into separate cornerstone investment agreements (collectively, the "Cornerstone Investment Agreements", and each a "Cornerstone Investment Agreement") with the following investors, namely, (i) Xiamen ITG Education Group Co., Ltd., (ii) Pingyang Jihe Tuoli Equity Investment Management Center (Limited Partnership) and (iii) Nantong Mlily Equity Investment Co., Ltd. (collectively, the "Cornerstone Investors", each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe for the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of approximately HK$216.3 million (the "Cornerstone Placing") at the Offer Price. The consideration for all of the abovementioned cornerstone investments are expected to be funded by the internal resources of the relevant Cornerstone Investors.

The Directors believe that introducing the Cornerstone Investors to the Global Offering and securing the subscription of a significant number of Offer Shares will set a solid platform for the launch of the Global Offering by demonstrating the Cornerstone Investors' confidence in the Global Offering.

The Cornerstone Placing will form a part of the International Placing, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements described in this section. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Shares under Rule 8.24 of the Listing Rules. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. There will be no deferred settlement, delivery or payment in respect of the Offer Shares to be subscribed for by the Cornerstone Investors under the Cornerstone Placing. Immediately following completion of the Global Offering, the Cornerstone Investors will not have any representation on the Board, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation".

To the best knowledge of our Company after making reasonable enquiries, (i) each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party; and (ii) each of the Cornerstone Investors is independent from each other. Each of the Cornerstone Investors is independent from our Company, the connected persons of our Company and their associates. In addition, we confirm that (i) there are no side agreements or arrangements between our Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing; (ii) we became acquainted with each of the Cornerstone Investors through the introduction by the relevant Underwriters of the opportunity to participate in the Cornerstone Placing; (iii) none of the Cornerstone Investors is accustomed to taking instructions from our Company, the Directors, the chief executive of our Company, the Substantial Shareholders of our Company, the existing Shareholders or any of their subsidiaries or respective close associates; and (iv) none of the subscriptions of the Offer Shares by the Cornerstone Investors is financed by our Company, the Directors, the chief executive of our Company, the Substantial Shareholders of our Company, the existing Shareholders or any of their subsidiaries or respective close associates.

OUR CORNERSTONE INVESTORS

A brief description of the Cornerstone Investors is set out below:

Xiamen ITG Education Group Co., Ltd. (廈門國貿教育集團有限公司) ("ITG Education")

ITG Education is a municipal education group in Xiamen. It was established with a registered capital of RMB800 million in November 2017 as a wholly-owned subsidiary of Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司). ITG Education is a state-owned education group linking with international cooperation and focusing on preschool education, K12 premium schools, training and educational investment.

ITG Education will make an equity investment in our Company as part of the International Placing through a designated QDII trust product, managed by a QDII engaged by ITG Education.

Pingyang Jihe Tuoli Equity Investment Management Center (Limited Partnership) (平陽幾何拓力股權投資管理中心(有限合夥)) ("Jihe Tuoli")

Jihe Tuoli is a limited partnership established in the PRC, whose fund manager and general partner is Beijing Jihe Investment Management Co., Ltd. (北京幾何投資管理有限公司) ("Jihe Investment"), a professional private equity investment fund with a focus on the education industry. The general partner of Jihe Tuoli is Jihe Investment, and the limited partner is Mr. Ding Chengyun (丁成運). Jihe Investment is owned as to 7% by Mr. Jia Jinliang (賈金亮), 7% by Mr. Qian Pengfei (錢鵬飛), 30% by Mr. Ji Weijie (紀偉傑), 6% by Ms. Zhang Xu (張旭), 3% by Mr. Qi Honglei (齊紅雷), 20% by Pingyang Kaiyuan Investment Management Partnership* (平陽開源投資管理合伙企業), 17% by Pingyang Zhongjiao Tuoxin Investment Management Center* (平陽中教拓新投資管理中心), and 10% by Ningbo Fotile Kitchen Ware Co. LTD (寧波方太廚具有限公司). Among these, Pingyang Kaiyuan Investment Management

Partnership* (平陽開源投資管理合伙企業) is owned as to 50% by Mr. Jia Jinliang (賈金亮), and 50% by Mr. Qian Pengfei (錢鵬飛); Pingyang Zhongjiao Tuoxin Investment Management Center* (平陽中教拓新投資管理中心) is 99% owned by Mr. Zhai Liyang (翟黎陽); and Ningbo Fotile Kitchen Ware Co. LTD (寧波方太廚具有限公司) is 80.84% owned by Ningbo Feixiang Group Corp. (寧波飛翔集團有限公司), which is 79.62% owned by Mr. Mao Zhongqun (茅忠群). Jihe Investment is primarily engaged in private equity investments in the education industry and has extensive and rich resources in the education industry. Historical investment projects of Jihe Investment cover many sub-sectors of the education industry, including but not limited to, extra-curricular education for primary and secondary students, higher degree education, vocational education, international education and educational informationalization.

For this cornerstone investment, Jihe Tuoli will make an equity investment in our Company as part of the International Placing through a single asset management plan, which is established and managed by Caitong Fund Management Co., Ltd. (財通基金管理有限公司), a QDII engaged by Jihe Tuoli.

Nantong Mlily Equity Investment Co., Ltd. (南通夢百合股權投資有限公司) ("Mlily Investment")

Mlily Investment is directly wholly-owned by Healthcare Co., Ltd. (上海夢百合家居科技有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603313). Mlily Investment is an investment holding company primarily engaged in corporate investment, management and consulting. As confirmed by Mlily Investment, it is not required to obtain any approval from the Shanghai Stock Exchange or its shareholders to invest in our Company or to subscribe for the Offer Shares.

Mlily Investment has invested in software and information technology service and retail industries. To further diversify its investment portfolio, Mlily Investment will make an equity investment in our Company as a financial investor as part of the International Placing through a designated QDII trust product, managed by a QDII engaged by Mlily Investment.

The following tables set out certain details of the Cornerstone Placing:

Cornerstone Investor	Total investment amount	Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 500 Shares)	Assuming an Offer Price of HK$6.05 per Offer Share (being the low-end of the indicative Offer Price range) — Approximate percentage of the Offer Shares — assuming the Over-allotment Option is not exercised	Approximate percentage of the Offer Shares — assuming the Over-allotment Option is fully exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering — assuming the Over-allotment Option is not exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering — assuming the Over-allotment Option is fully exercised
	(in millions)					
ITG Education	US$20.0 (approximately HK$156.6)	25,881,500.0	25.9%	22.5%	6.5%	6.2%
Mlily Investment	RMB28.5 (approximately HK$31.7)	5,240,000.0	5.2%	4.6%	1.3%	1.3%
Jihe Tuoli	HK$28.0	4,628,000.0	4.6%	4.0%	1.2%	1.1%
Total	**Approximately HK$216.3**	**35,749,500.0**	**35.7%**	**31.1%**	**9.0%**	**8.6%**

Cornerstone Investor	Total investment amount	Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 500 Shares)	Assuming an Offer Price of HK$6.89 per Offer Share (being the mid-point of the indicative Offer Price range) — Approximate percentage of the Offer Shares — assuming the Over-allotment Option is not exercised	Approximate percentage of the Offer Shares — assuming the Over-allotment Option is fully exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering — assuming the Over-allotment Option is not exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering — assuming the Over-allotment Option is fully exercised
	(in millions)					
ITG Education	US$20.0 (approximately HK$156.6)	22,726,500.0	22.7%	19.8%	5.7%	5.5%
Mlily Investment	RMB28.5 (approximately HK$31.7)	4,601,000.0	4.6%	4.0%	1.2%	1.1%
Jihe Tuoli	HK$28.0	4,063,500.0	4.1%	3.5%	1.0%	1.0%
Total	**Approximately HK$216.3**	**31,391,000.0**	**31.4%**	**27.3%**	**7.9%**	**7.6%**

		Assuming an Offer Price of HK$7.73 per Offer Share (being the high-end of the indicative Offer Price range)				
Cornerstone Investor	Total investment amount	Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 500 Shares)	Approximate percentage of the Offer Shares		Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering	
	(in millions)		assuming the Over-allotment Option is not exercised	assuming the Over-allotment Option is fully exercised	assuming the Over-allotment Option is not exercised	assuming the Over-allotment Option is fully exercised
ITG Education	US$20.0 (approximately HK$156.6)	20,256,500.0	20.3%	17.6%	5.1%	4.9%
Mlily Investment	RMB28.5 (approximately HK$31.7)	4,101,000.0	4.1%	3.6%	1.0%	1.0%
Jihe Tuoli	HK$28.0	3,622,000.0	3.6%	3.1%	0.9%	0.9%
Total	**Approximately HK$216.3**	**27,979,500.0**	**28.0%**	**24.3%**	**7.0%**	**6.8%**

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investors is subject to, among other things, the satisfaction of the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective times and dates specified therein;

(b) the Offer Price having been agreed upon between (i) us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters), or (ii) us and the Sole Representative (for itself and on behalf of the Joint Global Coordinators, the Hong Kong Underwriters and the International Underwriters), as the case may be;

(c) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares to be acquired by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(e) no laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees or rulings in any relevant jurisdiction having been enacted or promulgated by any governmental authority (including the Stock Exchange and the SFC) which prohibits the consummation of the transactions contemplated in the Global Offering or in the relevant Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(f) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreements being accurate and true in all material respects and not misleading and there being no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed and has undertaken that without the prior written consent of our Company and the Joint Global Coordinators or the Sole Representative, as the case may be, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "Lock-up Period"), (i) dispose of (including but not limited to offer, sell, lend, pledge, charge, mortgage, assign, create, transfer or otherwise dispose of any legal or beneficial interest) any of the Shares subscribed for by it under the relevant Cornerstone Investment Agreement (the "Relevant Shares") or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares; (ii) enter into any transaction (directly or indirectly) with the same economic effect as any of the transactions described above; (iii) publicly announce any intention to enter into any of the transactions described above; or (iv) agree or contract to enter into any of the transactions described above.

After expiration of the Lock-up Period, each of ITG Education and Mlily Investment may dispose of the Relevant Shares so subscribed for subject to certain restrictions as set out in the relevant Cornerstone Investment Agreements, such as notifying in writing our Company and the Joint Global Coordinators prior to any disposal, using all reasonable endeavors to ensure that any such disposal is strictly in accordance with all applicable laws and regulations including the Listing Rules and the SFO and does not create a disorderly or false market in the Shares and not disposing of any Shares to another person who engages directly or indirectly in a business which competes or is likely to compete with the business of our Company or to another entity which is a holding company, fellow subsidiary of such holding company or subsidiary of such person, without the prior written consent of our Company and the Joint Global Coordinators.

HONG KONG UNDERWRITERS

Macquarie Capital Limited
Haitong International Securities Company Limited
Essence International Securities (Hong Kong) Limited
CCB International Capital Limited
China Galaxy International Securities (Hong Kong) Co., Limited
BOCOM International Securities Limited

SOLE REPRESENTATIVE

Macquarie Capital Limited

JOINT GLOBAL COORDINATORS

Macquarie Capital Limited
Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 30, 2019. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong 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 listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (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 Hong Kong 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 Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Representative (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing to the 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:

(1) there has come to the notice of the Sole Representative 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 Underwriting 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 Underwriting 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 and/or in any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering 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 and/or any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering 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 misstatement or omission from any of this prospectus, the Application Forms, application proof information pack, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the 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 the Company or the Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vi) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Representative in its absolute discretion; or

(vii) approval by the Listing Committee 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) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) Ernst & Young as the reporting accountants, Commerce & Finance Law Offices as the legal advisers to the Company on PRC law, Conyers Dill & Pearman as the legal advisers to the Company on Cayman Islands law in relation to the Global Offering, Cushman & Wakefield Limited as the independent property valuer or Frost & Sullivan as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) a material portion of the orders in the bookbuilding process or the investment commitments by any Cornerstone Investors after signing of agreements with such Cornerstone Investors, have been withdrawn, terminated or cancelled, and the Sole Representative, in its sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(2) 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 British Virgin Islands, 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:

(i) 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

(ii) 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 or any other Relevant Jurisdiction, or any disruption in commercial banking activities 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

(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; 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 offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman of the Company, the chief executive officer or chief financial officer of the Company vacating his or her office; 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 of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or

(xii) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or

(xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Over-allotment Option Shares) 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 the 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, labour 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 Syndrome (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 materialisation 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 the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xix) a demand by any creditor for repayment or payment of any member of the Group's indebtedness prior to its stated maturity;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Representative (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 the 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 the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

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), each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to (i) the Global Offering, (ii) the Capitalization Issue, (iii) the Over-allotment Option, or (iv) 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 Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each Group company not to, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers 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 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 any shares 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 any shares of such Group company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a) or (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 Group company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders has undertaken to each of the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the 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 Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/it will not at any time during the First Six-Month Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a)(i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six-Month Period);

(b) he/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/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/it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company, the Controlling Shareholders and our executive Directors has agreed to jointly and severally indemnify the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that we will enter into the International Underwriting Agreement with, among others, the Sole Representative, the Joint Global Coordinators, and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, 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 Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Sole Representative on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being Saturday, February 8, 2020) to require us to allot and issue up to 15,000,000 additional Shares, representing 15% of the initial size of the Global Offering, at the same price per Offer Share under the International Placing, to cover over-allocations in the International Placing, if any.

Underwriting Commission and Expenses

We will pay an underwriting commission of 2.0% of the Offer Price per Hong Kong Offer Share initially offered under the Hong Kong Public Offering out of which the Hong Kong Underwriters will pay any sub-underwriting commission. We expect to pay an underwriting commission of 2.0% of the Offer Price per International Placing Share offered under the International Placing. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, we may pay to the Sole Representative for its account only a discretionary incentive fee.

The aggregate commissions and fees (excluding any discretionary incentive fee), 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 RMB68.6 million (assuming an Offer Price of HK$6.89, 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.

Hong Kong Underwriters' Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the relevant laws and practice of the country of purchase in addition to the Offer Price.

The 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:

(i) the Hong Kong Public Offering of 10,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "– The Hong Kong Public Offering"; and

(ii) the International Placing of an aggregate of 90,000,000 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 within Hong Kong) in offshore transactions in reliance on Regulation S.

Macquarie Capital Limited is the Sole Sponsor and the Sole Representative and Macquarie Capital Limited and Haitong International Securities Company Limited are the Joint Global Coordinators of the Global Offering.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer 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.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 10,000,000 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 Hong Kong 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. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed "– Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Placing) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 5,000,000 respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the 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 5,000,000 Hong Kong Offer Shares (being 50% of the 10,000,000 Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be 30,000,000 Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 40,000,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 50,000,000 Shares, representing 50% of the Offer Shares initially available under the Global Offering.

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 Representative. In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, where:

- if the International Placing Shares are fully subscribed or oversubscribed, and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering; or

- if the International Placing Shares are undersubscribed, and the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription);

the maximum total number of Shares that may be reallocated to the Hong Kong Public Offering shall be not more than 20,000,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the number of Offer Shares initially available under the Global Offering; and the final Offer Price shall be fixed at HK$6.05 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

Any such clawback and reallocation between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Representative in its sole discretion considers appropriate.

Applications

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 Offer 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 it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$7.73 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong 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$7.73 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

We are initially offering 90,000,000 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 institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of 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.

The Sole Representative (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 Representative 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.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Representative on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Representative (on behalf of the International Underwriters) 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 Saturday, February 8, 2020), to require us to allot and issue up to 15,000,000 additional Offer Shares representing 15% of the initial size of Global Offering, 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.

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 a 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.

However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it. The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 15,000,000 Shares, which is 15% of the initial size of the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, may have a material and adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Saturday, February 8, 2020, being the thirtieth day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions may be effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions may be effected at a price below the price paid by applicants for, or investors in, the Shares.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 15,000,000 Shares from She De Limited pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangement under the Stock Borrowing Agreement complies with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus is not subject to the restrictions of Rule 10.07(1) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, 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 will be fixed on the Price Determination Date, which is expected to be on or around Thursday, January 9, 2020, and in any event on or before Tuesday, January 14, 2020, by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and our Company 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$7.73 per Offer Share and is expected to be not less than HK$6.05 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.

The Sole Representative, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received. Before submitting applications for Hong Kong 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. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Sole Representative (for itself and on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Representative (for itself and on behalf of the Underwriters) may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the International Placing and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Representative.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Wednesday, January 15, 2020 in the manner set forth in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK$632.6 million, assuming an Offer Price of HK$6.89 per Offer Share, being the mid-point of the indicative offer price range (or if the Over-allotment Option is exercised in full, approximately HK$736.0 million, assuming an Offer Price of HK$6.89 per Offer Share, being the mid-point of the indicative offer price range).

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:

(i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue, and 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) (subject only to allotment) and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(ii) the Offer Price having been duly agreed between us and the Sole Representative (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;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming 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 Underwriting 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 Thursday, January 30, 2020, being the thirtieth day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Representative (for itself and on behalf of the Underwriters) on Tuesday, January 14, 2020 , 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 Hong Kong Stock Exchange will be notified immediately. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Hong Kong Offer Shares – 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) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus has not been exercised.

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the 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) and any Shares which may be issued under the Share Option Scheme on the Main Board of the Hong Kong Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS established and operated by HKSCC. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies 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 on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 16, 2020, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, January 16, 2020.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 1525.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via 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 Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Representative 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 Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its 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 participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Tuesday, December 31, 2019 until 12:00 noon on Thursday, January 9, 2020 from:

(i) the following office of the Joint Bookrunners:

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
Essence International Securities (Hong Kong) Limited	39/F, One Exchange Square Central Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F, Wing On Centre 111 Connaught Road Central Hong Kong
BOCOM International Securities Limited	9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong

(ii) any of the following branches of the following receiving banks:

CMB Wing Lung Bank Limited

	Branch Name	Address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
Kowloon:	San Po Kong Branch	8 Shung Ling Street
	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, December 31, 2019 until 12:00 noon on Thursday, January 9, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "CMB WING LUNG (NOMINEES) LIMITED – SHANGHAI GENCH EDUCATION GROUP LIMITED PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, December 31, 2019	–	9:00 a.m. to 5:00 p.m.
Thursday, January 2, 2020	–	9:00 a.m. to 5:00 p.m.
Friday, January 3, 2020	–	9:00 a.m. to 5:00 p.m.
Saturday, January 4, 2020	–	9:00 a.m. to 1:00 p.m.
Monday, January 6, 2020	–	9:00 a.m. to 5:00 p.m.
Tuesday, January 7, 2020	–	9:00 a.m. to 5:00 p.m.
Wednesday, January 8, 2020	–	9:00 a.m. to 5:00 p.m.
Thursday, January 9, 2020	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, January 9, 2020, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Representative (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (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 Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(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, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(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 Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in this prospectus to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person(s) for whose benefit you are applying;

(xvii) understand that our Company and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** Service Provider for the Hong Kong 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 Provider are on the designated website. 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, December 31, 2019 until 11:30 a.m. on Thursday, January 9, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, January 9, 2020 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service Provider 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).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "SHANGHAI GENCH EDUCATION GROUP LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two
Exchange Square,
8 Connaught Place,
Central,
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Representative and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares;

- 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, the Directors and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Representative, 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, our Hong Kong Share Registrar, receiving banks, the Sole Representative, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by 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 Hong Kong 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 a nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, December 31, 2019	–	9:00 a.m. to 8:30 p.m.
Thursday, January 2, 2020	–	8:00 a.m. to 8:30 p.m.
Friday, January 3, 2020	–	8:00 a.m. to 8:30 p.m.
Saturday, January 4, 2020	–	8:00 a.m. to 1:00 p.m.
Monday, January 6, 2020	–	8:00 a.m. to 8:30 p.m.
Tuesday, January 7, 2020	–	8:00 a.m. to 8:30 p.m.
Wednesday, January 8, 2020	–	8:00 a.m. to 8:30 p.m.
Thursday, January 9, 2020	–	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, December 31, 2019 until 12:00 noon on Thursday, January 9, 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, January 9, 2020, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, 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 Hong Kong Share Registrar, the receiving bankers, the Sole Representative, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, January 9, 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service Provider, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the 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 Provider in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 9, 2020.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, January 9, 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

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 Hong Kong Offer Shares on or before Wednesday, January 15, 2020 on our Company's website at **www.genchedugroup.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.genchedugroup.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, January 15, 2020;

- 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 Wednesday, January 15, 2020 to 12:00 midnight on Tuesday, January 21, 2020;

- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, January 15, 2020 to Saturday, January 18, 2020;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, January 15, 2020 to Friday, January 17, 2020 at all the receiving bank's designated branches.

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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated.

Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with 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 Representative, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies 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;
- you or the person(s) for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** Service Provider 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 dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Representative believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$7.73 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" 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 Wednesday, January 15, 2020.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply using a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to the 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 Wednesday, January 15, 2020. 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 Thursday, January 16, 2020 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 15, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, January 15, 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Wednesday, January 15, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, January 15, 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

• *If you are applying as a CCASS Investor Participant*

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 "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 15, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service Provider

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 15, 2020, 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 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, January 15, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, January 15, 2020, 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 "Publication of Results" above on Wednesday, January 15, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 15, 2020, or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, January 15, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, January 15, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report on Shanghai Gench Education Group Limited, prepared for the purpose of incorporation in this prospectus received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

The Directors
Shanghai Gench Education Group Limited

Macquarie Capital Limited

Dear Sirs,

We report on the historical financial information of Shanghai Gench Education Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-61, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 and the statements of financial position of the Company as at 31 December 2018 and 30 June 2019, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 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 and the Company as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2018 and other explanatory information (the "Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-5 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

31 December 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

		Year ended 31 December			Six months ended 30 June	
	Notes	2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
REVENUE	*5*	291,650	356,967	424,587	216,475	254,211
Cost of sales		(166,747)	(193,606)	(202,372)	(100,231)	(106,904)
GROSS PROFIT		124,903	163,361	222,215	116,244	147,307
Other income and gains	*5*	11,113	20,374	24,428	8,344	5,053
Selling and distribution expenses		(2,512)	(2,323)	(3,040)	(1,887)	(1,610)
Administrative expenses		(64,217)	(75,066)	(75,086)	(39,153)	(45,647)
Impairment losses on financial assets		(33)	(28)	(180)	(2)	10
Other expenses		(3,048)	(3,784)	(957)	(538)	(170)
Finance costs	*7*	(52,032)	(55,026)	(57,207)	(32,059)	(23,474)
PROFIT BEFORE TAX	*6*	14,174	47,508	110,173	50,949	81,469
Income tax expense	*10*	(1,289)	(1,465)	(1,598)	(803)	(471)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		12,885	46,043	108,575	50,146	80,998
Attributable to:						
Owners of the parent		12,885	46,043	108,575	50,146	80,998
Non-controlling interests		–	–	–	–	–
		12,885	46,043	108,575	50,146	80,998
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2016	31 December 2017	31 December 2018	30 June 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	1,648,285	1,612,715	1,651,527	1,812,927
Prepaid land lease payments	*14*	688,588	673,454	658,320	–
Right-of-use assets	*15*	–	–	–	665,887
Intangible assets	*16*	1,474	1,776	1,862	1,844
Long-term prepayments	*19*	11,323	1,546	12,528	5,121
Deferred tax assets	*17*	90	90	67	64
Total non-current assets		2,349,760	2,289,581	2,324,304	2,485,843
CURRENT ASSETS					
Accounts receivable	*18*	2,757	3,627	3,921	4,050
Due from ultimate shareholders	*32*	216,480	263,137	–	–
Due from related companies	*32*	171,459	449,971	–	–
Prepayments and other receivables	*19*	63,987	49,473	24,324	13,720
Restricted cash	*20*	36,000	30,000	–	–
Cash and cash equivalents	*20*	266,316	39,601	442,078	195,408
Total current assets		756,999	835,809	470,323	213,178
CURRENT LIABILITIES					
Other payables and accruals	*21*	683,264	510,026	279,921	323,607
Due to ultimate shareholders	*32*	19,530	23,148	–	–
Due to related companies	*32*	17,099	19,601	821	–
Interest-bearing bank and other borrowings	*24*	327,000	474,560	175,400	173,000
Contract liabilities	*22*	179,821	220,221	260,108	43,851
Tax payable	*23*	210,005	79,043	4,096	468
Total current liabilities		1,436,719	1,326,599	720,346	540,926
NET CURRENT LIABILITIES		(679,720)	(490,790)	(250,023)	(327,748)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,670,040	1,798,791	2,074,281	2,158,095
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*24*	831,180	892,862	951,280	983,280
Deferred income	*26*	46,190	67,216	85,913	56,729
Tax payable	*23*	147,196	147,196	147,196	147,196
Total non-current liabilities		1,024,566	1,107,274	1,184,389	1,187,205
NET ASSETS		645,474	691,517	889,892	970,890
EQUITY					
Equity attributable to owners of the parent					
Share capital	*27*	–	–	–	–
Reserves	*28*	645,474	691,517	889,892	970,890
		645,474	691,517	889,892	970,890
Non-controlling interests		–	–	–	–
TOTAL EQUITY		645,474	691,517	889,892	970,890

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Issued capital	Capital reserve*	Statutory surplus reserves*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 *Note 27*	*RMB'000* *Note 28(a)*	*RMB'000* *Note 28(b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	–	94,987	53,635	483,967	632,589	–	632,589
Profit and total comprehensive income for the year	–	–	–	12,885	12,885	–	12,885
As at 31 December 2016 and 1 January 2017	–	94,987	53,635	496,852	645,474	–	645,474
Profit and total comprehensive income for the year	–	–	–	46,043	46,043	–	46,043
Appropriations to statutory surplus reserves	–	–	4,934	(4,934)	–	–	–
As at 31 December 2017 and 1 January 2018	–	94,987	58,569	537,961	691,517	–	691,517
Capital contribution from the then equity holders of subsidiaries	–	89,800	–	–	89,800	–	89,800
Profit and total comprehensive income for the year	–	–	–	108,575	108,575	–	108,575
Appropriations to statutory surplus reserves	–	–	26,334	(26,334)	–	–	–
As at 31 December 2018 and 1 January 2019	–	184,787	84,903	620,202	889,892	–	889,892
Profit and total comprehensive income for the period	–	–	–	80,998	80,998	–	80,998
Appropriations to statutory surplus reserves	–	–	22,725	(22,725)	–	–	–
As at 30 June 2019	–	184,787	107,628	678,475	970,890	–	970,890
As at 31 December 2017 and 1 January 2018	–	94,987	58,569	537,961	691,517	–	691,517
Capital contribution from the then equity holders of subsidiaries	–	89,800	–	–	89,800	–	89,800
Profit and total comprehensive income for the period	–	–	–	50,146	50,146	–	50,146
Appropriations to statutory surplus reserves	–	–	14,170	(14,170)	–	–	–
As at 30 June 2018 (unaudited)	–	184,787	72,739	573,937	831,463	–	831,463

* These reserve accounts represent the total consolidated reserves of RMB645,474,000, RMB691,517,000, RMB889,892,000 and RMB970,890,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		14,174	47,508	110,173	50,949	81,469
Adjustments for:						
Finance costs	*7*	52,032	55,026	58,197	32,059	23,474
Bank interest income	*5*	(825)	(857)	(1,353)	(796)	(181)
Loss/(gain) on disposal of items of property, plant and equipment		6	(224)	(256)	(255)	–
Government grants released	*26*	(27,992)	(38,634)	(57,624)	(24,955)	(22,350)
Impairment/(reversal of impairment) of accounts receivable	*6,18*	33	28	180	2	(10)
Depreciation	*6,13*	41,700	45,723	47,004	23,359	24,011
Amortisation of intangible assets	*6,16*	126	351	474	236	313
Depreciation of right-of-use assets/recognition of prepaid land lease payments	*6,14, 15*	15,134	15,134	15,134	7,567	7,567
		94,388	124,055	171,929	88,166	114,293
Receipt of government grants	*26*	28,100	62,490	54,625	29,772	19,498
Decrease/(increase) in prepayments and other receivables		1,790	5,804	21,459	(6,579)	(4,530)
Decrease in other payables and accruals		(48,211)	(44,380)	(6,669)	(21,662)	(13,370)
(Increase)/decrease in amounts due from related companies		(1,000)	(1,000)	2,000	(500)	–
Increase in accounts receivable		(488)	(898)	(474)	(337)	(119)
Increase/(decrease) in contract liabilities		34,686	40,400	39,887	(189,064)	(216,257)
Cash generated from/(used in) operations		109,265	186,471	282,757	(100,204)	(100,485)
Interest received	*5*	825	857	1,353	796	181
Tax paid		–	(132,427)	(76,522)	(76,296)	(4,096)
Net cash flows from/(used in) operating activities		110,090	54,901	207,588	(175,704)	(104,400)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(217,881)	(154,714)	(337,284)	(113,223)	(142,875)
Receipt of government grants for property, plant and equipment		30,150	21,166	39,370	39,370	–
Purchase of intangible assets	*16*	(1,549)	(653)	(560)	(23)	(295)
Advance to an ultimate shareholder	*32*	(115,044)	(35,884)	–	–	–
Repayment from an ultimate shareholder	*32*	–	–	241,969	221,474	–
Proceeds of disposal of items of property, plant and equipment		331,078	9,582	4,559	4,140	–
Net cash flows from/(used in) investing activities		26,754	(160,503)	(51,946)	151,738	(143,170)

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Six months ended 30 June 2018 RMB'000 (unaudited)	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from the then equity holders of subsidiaries		–	–	89,800	89,800	–
New interest-bearing bank and other borrowings		491,500	575,620	310,000	85,000	79,600
Repayment of interest-bearing bank and other borrowings		(349,773)	(367,181)	(553,033)	(184,033)	(50,000)
Repayment to related companies	*32*	(93,759)	(978)	(21,717)	(19,601)	(821)
Advance from related companies	*32*	–	3,480	2,937	841	–
Repayment to ultimate shareholders	*32*	(23,335)	–	(23,148)	(23,148)	–
Advance to ultimate shareholders	*32*	(2,541)	(7,010)	–	–	–
Repayment from ultimate shareholders	*32*	181	3,460	24,480	12,480	–
Advance to related companies	*32*	(42,624)	(298,119)	–	–	–
Repayment from related companies	*32*	188,780	20,607	447,971	380,240	–
Advance from ultimate shareholders	*32*	–	3,618	–	–	–
(Increase)/decrease in restricted cash		(12,000)	6,000	30,000	30,000	–
Interest paid		(56,824)	(60,610)	(60,455)	(33,828)	(27,879)
Net cash flows from/(used in) financing activities		99,605	(121,113)	246,835	337,751	900
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		236,449	(226,715)	402,477	313,785	(246,670)
Cash and cash equivalents at beginning of year/period		29,867	266,316	39,601	39,601	442,078
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		266,316	39,601	442,078	353,386	195,408
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*20*	302,316	69,601	442,078	353,386	195,408
Less: Restricted cash	*20*	(36,000)	(30,000)	–	–	–
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		266,316	39,601	442,078	353,386	195,408

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2018	30 June 2019
		RMB'000	*RMB'000*
CURRENT ASSETS			
Prepayments		–	1,116
Total current assets		–	1,116
CURRENT LIABILITIES			
Other payables		1,544	3,091
Due to fellow subsidiaries		–	5,306
Total current liabilities		1,544	8,397
NET CURRENT LIABILITIES		(1,544)	(7,281)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,544)	(7,281)
NET ASSETS		(1,544)	(7,281)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	–	–
Accumulated losses		(1,544)	(7,281)
		(1,544)	(7,281)
Non-controlling interests		–	–
TOTAL EQUITY		(1,544)	(7,281)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in Cayman Islands on 8 May 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") principally provided higher education services (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Corporate Reorganisation" in the section headed "History and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (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:

Name	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held:					
Shanghai Gench Education Holdings Limited	*(1)*	British Virgin Islands ("BVI")/ 15 May 2018	USD1	100%	Investment holding
Indirectly held:					
Gench Education Group (Hong Kong) Limited ("Gench HK")	*(1)*	Hong Kong/ 1 June 2018	HKD1	100%	Investment holding
Gench Education Group US, Inc ("Gench US")	*(1)*	the United States/ 13 August 2018	No par value	100%	Degree-granting higher education Institution
Wangting Education Technology (Shanghai) Limited 望亭教育科技(上海)有限公司 ("Gench WFOE")	*(2)*	People's Republic of China ("PRC")/ Mainland China/ 31 October 2018	RMB10,000,000	100%	Investment holding
Shanghai Jianqiao (Group) Co., Ltd. 上海建橋(集團)有限公司 ("Jian Qiao Group")	*(3), (5)*	PRC/Mainland China/ 7 November 2000	RMB175,000,000	100%	Investment holding
Shanghai Jian Qiao Investment Development Co., Ltd. 上海建橋投資發展有限公司 ("Jian Qiao Investment")	*(3), (5)*	PRC/Mainland China/ 3 August 1999	RMB37,500,000	100%	Investment holding
Shanghai Jian Qiao University 上海建橋學院 ("Jian Qiao University")	*(4), (5)*	PRC/Mainland China/ 28 June 2000	RMB50,000,000	100%	Provision of common undergraduate education services

(1) No audited financial statements have been prepared for these entities since its incorporation as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in these jurisdiction of incorporation.

(2) As the entity was newly incorporated in 2018, the audited financial statements have not been prepared yet.

(3) The statutory financial statements of these entities for the years ended 31 December 2016 and 2017 prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP") and regulations have been audited by Shanghai Xinhui Certified Public Accountants Co., Ltd. (上海新匯會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(4) The statutory financial statements of the entity for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP") and regulations have been audited by Shanghai Xinhui Certified Public Accountants Co., Ltd. (上海新匯會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(5) During the Relevant Periods, the Listing Business was carried out by Jian Qiao Group and its subsidiaries in the PRC as listed in the above table (collectively the "PRC Operating Entities").

The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 11 December 2018. As the insertion of new holding companies and the contractual arrangements ("the Contractual Arrangements") have not resulted in a change of the respective voting and beneficial interests, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Due to regulatory restrictions on foreign ownership of the schools in the PRC, the Listing Business was carried out by the PRC Operating Entities. The wholly-owned subsidiary of the Company (the "WFOE") has entered into the Contractual Arrangements with, among others, the PRC Operating Entities and their respective equity holders (hereafter the equity holders of the PRC Operating Entities referred to as "Registered Shareholders"). The Contractual Arrangements enable the WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purposes of the Historical Financial Information and are consolidated in the Historical Financial Information continuously. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus.

As part of the Reorganisation, the previous holding company, Jian Qiao Group (Predecessor) has undergone a demerger process where Jian Qiao Group (Predecessor) was divided into two new entities. The demerger process resulted in two new entities: Jian Qiao Group and 上海建之橋企業發展有限公司 ("Jian Zhi Qiao Development"). The Jian Qiao Group was established to invest in the companies now comprising the Group, and Jian Zhi Qiao Development is not part of the Group and is treated as a related party of the Group. The demerger process was approved by the relevant government bodies and completed on 14 June 2018 and the registered capital of Jian Qiao Group after demerger was RMB175,000,000. In addition, Jian Qiao Investment (Predecessor), the wholly-owned subsidiary of Jian Qiao Group (Predecessor) has also undergone a demerger process where Jian Qiao Investment (Predecessor) was divided into two new entities. The demerger process resulted in two new entities: Jian Qiao Investment and 上海建之橋企業管理有限公司 ("Jian Zhi Qiao Management"). After demerger, Jian Qiao Investment was the subsidiary of Jian Qiao Group and Jian Zhi Qiao Management is not part of the Group and is treated as a related party of the Group. The demerger process was approved by the relevant government bodies and completed on 11 June 2018 and the registered capital of Jian Qiao Investment after demerger was RMB37,500,000. The financial information of the existing Jian Qiao Group and Jian Qiao Investment comprises the financial information as if the demerger process, being part of the Reorganisation, had been existed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Corporate Restructuring and the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation in full.

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"). Except for IFRS 16, all IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

IFRS 16 *Leases*

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-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 account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	Increase/(decrease)
	RMB'000
Assets	
Right-of-use assets	673,454
Prepaid land lease payments	(658,320)
Prepayments and other receivables	(15,134)
Total assets	–

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for the land use right. Before the adoption of IFRS 16, the Group classified the land use right under prepaid land lease payments, which should be classified as right-of-use assets under IFRS 16.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from 1 January 2019:

- *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

The Historical Financial Information has been prepared under the historical cost convention.

Going concern

The Group recorded net current liabilities of RMB679,720,000, RMB490,790,000, RMB250,023,000 and RMB327,748,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. Included therein were contract liabilities recorded by the Group of RMB179,821,000, RMB220,221,000, RMB260,108,000 and RMB43,851,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

In view of the net current liabilities position, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as going concern.

As at 30 June 2019, the Group had bank facilities of RMB345,000,000 which have not been utilised. Having considered the cash flows from operations and its available resources of finance, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs and IFRIC interpretation that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

None of the above amendments to IFRSs has had a significant financial effect on the Historical Financial Information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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 financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and facilities	2.0%
Motor vehicles	9.5%
Furniture and fixtures	9.5%-19.0%
Devices and equipment	19.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building 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 consolidation is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the relevant periods.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over their estimated useful lives of 5 years.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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.

Investment and other 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, 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 of not adjusting the effect of a significant financing component, 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 other comprehensive income, 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

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 statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's 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 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.

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 that do not contain 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables 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, amounts due to the ultimate shareholders and related companies and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate 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 effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

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 which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the 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 consolidation 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, 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 consolidation 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, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each 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 at the end of each 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 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 on a systematic basis over the periods as deduction from the costs, which it is intended to compensate, are expensed.

When the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

When the grant relates to neither an expense item nor an asset, it is released to the statement to the profit or loss upon receipt.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Tuition and boarding fees

Tuition and boarding fees received 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 program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's school is generally from September to June of the following year.

Income from other services provided by the Group is recognised when the relevant service is provided.

(b) Other income

Interest income 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.

Rental income is recognised on a time proportion basis over the lease terms.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the 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.

Employee retirement benefits

Pension scheme

The employees of the Group's subsidiaries and schools which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries and schools operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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. The capitalisation rate of 4.66% has been applied to the expenditure on the qualifying assets during the year ended 31 December 2018 and the six months ended 30 June 2019.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. 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).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual Arrangements

The PRC Operating Entities are engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

As disclosed in note 2.1, the Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Company does not have any equity interest in the PRC Operating Entities. However, as a result of the Contractual Arrangements, the Company has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities, and is therefore considered to have control over the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the PRC Operating Entities in the Historical Financial Information during the Relevant Periods.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made. Further details of current and deferred tax are set out in note 10 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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.

Provision for expected credit losses on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 18 to the Historical Financial Information.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of the resource allocation and assessment of performance, does not contain discrete operating segment financial information and directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No service provided to a single customer contributed to 10% or more of the total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered after deducting scholarships and refunds during each of the Relevant Periods.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers					
Tuition fees	251,637	306,068	365,647	188,806	222,874
Boarding fees	34,851	43,041	53,495	26,110	30,554
Others	5,162	7,858	5,445	1,559	783
Total revenue from contracts with customers	291,650	356,967	424,587	216,475	254,211

(i) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Recognised over time					
Tuition fees	251,637	306,068	365,647	188,806	222,874
Boarding fees	34,851	43,041	53,495	26,110	30,554
Total revenue from contracts with customers	286,488	349,109	419,142	214,916	253,428
Recognised at a point in time					
Education related services	5,162	7,858	5,445	1,559	783

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income and gains					
Gain on disposal of items of property, plant and equipment	–	224	256	255	–
Bank interest income	825	857	1,353	796	181
Operating lease income from operators of supermarkets, snap shops, etc. in the school campus	9,544	8,399	7,726	3,909	3,329
Government grants *(note 26)*	737	10,894	15,071	3,362	1,527
Others	7	–	22	22	16
	11,113	20,374	24,428	8,344	5,053

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
	Notes	2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):						
Wages, salaries and other allowances		96,139	113,755	123,185	61,985	67,377
Pension scheme contributions and social welfare		9,576	12,009	14,589	7,170	8,457
		105,715	125,764	137,774	69,155	75,834
Depreciation	*13*	41,700	45,723	47,004	23,359	24,011
Recognition of prepaid land lease payments	*14*	15,134	15,134	15,134	7,567	–
Depreciation of right-of-use assets	*15*	–	–	–	–	7,567
Amortisation of intangible assets	*16*	126	351	474	236	313
Auditors' remuneration		500	800	820	400	329
Impairment of financial assets, net						
Impairment of account receivables, net	*18*	33	28	180	2	(10)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on bank and other borrowings	56,944	61,446	59,218	33,080	28,197
Less: Interest charged to an ultimate shareholder	(5,601)	(7,223)	(3,312)	(3,312)	–
Interest on a finance lease	689	803	2,291	2,291	–
	52,032	55,026	58,197	32,059	28,197
Less: Interest capitalised	–	–	(990)	–	(4,723)
	52,032	55,026	57,207	32,059	23,474

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company appointed Mr. Zhou Xingzeng as an executive director, the chief executive officer and the chairman of the Company in May 2018.

The Company appointed Mr. Zheng Xiangzhan and Mr. Shi Yinjie as executive directors of the Company on 20 December 2018.

The Company appointed Mr. Zhao Donghui as a non-executive director of the Company on 20 December 2018.

Certain of the directors received remunerations from the group entities now comprising the Group prior to their appointment as the directors of the Company. Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	1,950	1,950	2,050	1,025	1,155
Performance-related bonuses	200	200	200	100	100
Pension scheme contributions and social welfare	244	209	124	49	66
Total	2,394	2,359	2,374	1,174	1,321

(a) Independent non-executive directors

Ms. Liu Tao, Mr. Chen Baizhu and Mr. Hu Rongen were appointed as independent non-executive directors of the Company on 20 December 2018. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended 31 December 2016

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Zhou Xingzeng	–	800	100	109	1,009
– Mr. Zheng Xiangzhan	–	700	100	82	882
– Mr. Shi Yinjie	–	450	–	53	503
	–	1,950	200	244	2,394

Year ended 31 December 2017

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Zhou Xingzeng	–	800	100	115	1,015
– Mr. Zheng Xiangzhan	–	700	100	20	820
– Mr. Shi Yinjie	–	450	–	74	524
	–	1,950	200	209	2,359

Year ended 31 December 2018

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Zhou Xingzeng	–	850	100	124	1,074
– Mr. Zheng Xiangzhan	–	750	100	–	850
– Mr. Shi Yinjie	–	450	–	–	450
	–	2,050	200	124	2,374

Six months ended 30 June 2019

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Zhou Xingzeng	–	475	50	66	591
– Mr. Zheng Xiangzhan	–	425	50	–	475
– Mr. Shi Yinjie	–	255	–	–	255
	–	1,155	100	66	1,321
Non-executive director:					
– Mr. Zhao Donghui	–	–	–	–	–
	–	1,155	100	66	1,321

Six months ended 30 June 2018 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Zhou Xingzeng	–	425	50	49	524
– Mr. Zheng Xiangzhan	–	375	50	–	425
– Mr. Shi Yinjie	–	225	–	–	225
	–	1,025	100	49	1,174

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 for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 included 3 directors, 3 directors, 2 directors, 2 directors and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 of the remaining 2, 2, 3, 3 and 2 highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	1,433	1,483	2,027	1,003	785
Performance-related bonuses	132	100	150	75	50
Pension scheme contributions and social welfare	–	95	103	50	56
Total	1,565	1,678	2,280	1,128	891

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
				(unaudited)	
Nil to HK$500,000	–	–	–	2	1
HK$500,001 to HK$1,000,000	1	1	2	1	1
HK$1,000,001 to HK$1,500,000	1	1	1	–	–
Total	2	2	3	3	2

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 in Cayman Island.

The Company's directly held subsidiary is incorporated in the BVI as an exempted company with limited liability under the Companies Law of the BVI and accordingly is not subject to income tax from business carried in BVI.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Relevant Periods and up to the date of this report, no separate policies, regulations or rules have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the compliance confirmation obtained therefrom, the Group's schools did not pay corporate income tax for the provision of formal educational services and has enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the Relevant Periods.

The non-academic education services provided by the schools are subject to corporate income tax at a rate of 25%.

All of the Group's non-school subsidiaries operating in Mainland China are subject to the PRC corporate income tax of 25% during the Relevant Periods.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Relevant Periods. The major components of income tax expense of the Group are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current – Mainland China:					
Charged for the year/period	1,297	1,465	1,575	745	468
Deferred *(note 17)*	(8)	–	23	58	3
Total tax charge for the year/period	1,289	1,465	1,598	803	471

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	14,174	47,508	110,173	50,949	81,469
At the statutory income tax rate	3,544	11,877	27,543	12,737	21,802
Expenses not deductible for tax	811	994	380	941	441
Income not subject to tax	(5,501)	(13,209)	(25,488)	(14,482)	(22,427)
Tax losses utilised from previous years	–	–	(1,223)	–	(1)
Tax losses not recognised	2,435	1,803	386	1,607	656
Tax charge at the Group's effective rate	1,289	1,465	1,598	803	471

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, 2017 and 2018 and 30 June 2019, 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 fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB550,487,000, RMB596,530,000, RMB706,649,000 and RMB793,384,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

11. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods Periods on the basis as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities	Motor vehicles	Furniture and fixtures	Devices and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	1,632,498	18,878	9,610	33,407	–	1,694,393
Accumulated depreciation	(10,807)	(11,638)	(5,273)	(5,915)	–	(33,633)
Net carrying amount	1,621,691	7,240	4,337	27,492	–	1,660,760
At 1 January 2016, net of accumulated depreciation	1,621,691	7,240	4,337	27,492	–	1,660,760
Additions	–	13	15,194	14,024	–	29,231
Disposals	–	–	–	(6)	–	(6)
Depreciation provided during the year	(32,422)	(1,201)	(1,166)	(6,911)	–	(41,700)
At 31 December 2016, net of accumulated depreciation	1,589,269	6,052	18,365	34,599	–	1,648,285
At 31 December 2016:						
Cost	1,632,498	18,891	24,804	47,409	–	1,723,602
Accumulated depreciation	(43,229)	(12,839)	(6,439)	(12,810)	–	(75,317)
Net carrying amount	1,589,269	6,052	18,365	34,599	–	1,648,285

	Buildings and facilities	Motor vehicles	Furniture and fixtures	Devices and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017						
At 31 December 2016 and 1 January 2017:						
Cost	1,632,498	18,891	24,804	47,409	–	1,723,602
Accumulated depreciation	(43,229)	(12,839)	(6,439)	(12,810)	–	(75,317)
Net carrying amount	1,589,269	6,052	18,365	34,599	–	1,648,285
At 1 January 2017, net of accumulated depreciation	1,589,269	6,052	18,365	34,599	–	1,648,285
Additions	–	2,048	3,516	4,884	353	10,801
Disposals	–	(114)	(534)	–	–	(648)
Depreciation provided during the year	(32,422)	(1,291)	(3,870)	(8,140)	–	(45,723)
At 31 December 2017, net of accumulated depreciation	1,556,847	6,695	17,477	31,343	353	1,612,715
At 31 December 2017:						
Cost	1,632,498	18,647	27,665	52,293	353	1,731,456
Accumulated depreciation	(75,651)	(11,952)	(10,188)	(20,950)	–	(118,741)
Net carrying amount	1,556,847	6,695	17,477	31,343	353	1,612,715

	Buildings and facilities	Motor vehicles	Furniture and fixtures	Devices and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
At 31 December 2017 and 1 January 2018:						
Cost	1,632,498	18,647	27,665	52,293	353	1,731,456
Accumulated depreciation	(75,651)	(11,952)	(10,188)	(20,950)	–	(118,741)
Net carrying amount	1,556,847	6,695	17,477	31,343	353	1,612,715
At 1 January 2018, net of accumulated depreciation	1,556,847	6,695	17,477	31,343	353	1,612,715
Additions	–	–	1,567	5,518	79,491	86,576
Write off	(147)	–	–	–	–	(147)
Disposals	–	(613)	–	–	–	(613)
Depreciation provided during the year	(32,422)	(1,390)	(4,114)	(9,078)	–	(47,004)
At 31 December 2018, net of accumulated depreciation	1,524,278	4,692	14,930	27,783	79,844	1,651,527
At 31 December 2018:						
Cost	1,632,351	13,430	29,232	57,811	79,844	1,812,668
Accumulated depreciation	(108,073)	(8,738)	(14,302)	(30,028)	–	(161,141)
Net carrying amount	1,524,278	4,692	14,930	27,783	79,844	1,651,527

	Buildings and facilities	Motor vehicles	Furniture and fixtures	Devices and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2019						
At 31 December 2018 and 1 January 2019:						
Cost	1,632,351	13,430	29,232	57,811	79,844	1,812,668
Accumulated depreciation	(108,073)	(8,738)	(14,302)	(30,028)	–	(161,141)
Net carrying amount	1,524,278	4,692	14,930	27,783	79,844	1,651,527
At 1 January 2019, net of accumulated depreciation	1,524,278	4,692	14,930	27,783	79,844	1,651,527
Additions	–	–	988	4,141	180,282	185,411
Depreciation provided during the period	(16,200)	(649)	(2,060)	(5,102)	–	(24,011)
At 30 June 2019, net of accumulated depreciation	1,508,078	4,043	13,858	26,822	260,126	1,812,927
At 30 June 2019:						
Cost	1,632,351	13,430	30,220	61,952	260,126	1,998,079
Accumulated depreciation	(124,273)	(9,387)	(16,362)	(35,130)	–	(185,152)
Net carrying amount	1,508,078	4,043	13,858	26,822	260,126	1,812,927

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the original cost of the Group's property, plant and equipment of RMB40,772,000, RMB64,768,000, RMB82,442,000 and RMB108,774,000 was net off by the government grants received (note 26).

The net carrying amount of the Group's property, plant and equipment held under a finance lease (note 25) was RMB29,285,000 as at 31 December 2017, for which the original cost was net off by the government grants.

Included in the property, plant and equipment was one building with a carrying amount of RMB5,729,000, RMB5,612,000, RMB5,495,000 and RMB5,437,000, for which the property certificate has not been obtained at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

14. PREPAID LAND LEASE PAYMENTS

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	718,856	703,722	688,588	673,454
Adoption of IFRS 16	–	–	–	(673,454)
Amortisation during the year/period	(15,134)	(15,134)	(15,134)	–
Carrying amount at the end of the year/period	703,722	688,588	673,454	–
Less: Current portion	(15,134)	(15,134)	(15,134)	–
Non-current portion	688,588	673,454	658,320	–

15. RIGHT-OF-USE ASSETS

	30 June
	2019
	RMB'000
Carrying amount at the beginning of the period	–
Adoption of IFRS 16	673,454
Depreciation during the period	(7,567)
Carrying amount at the end of the period	665,887

16. INTANGIBLE ASSETS

	31 December			30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Software				
At the beginning of the year/period:				
Cost	220	1,770	2,423	2,983
Accumulated amortisation	(169)	(296)	(647)	(1,121)
Net carrying amount	51	1,474	1,776	1,862
Carrying amount at the beginning of the year/period	51	1,474	1,776	1,862
Additions	1,549	653	560	295
Amortisation provided during the year/period	(126)	(351)	(474)	(313)
Carrying amount at the end of the year/period	1,474	1,776	1,862	1,844
At the end of the year/period:				
Cost	1,769	2,423	2,983	3,278
Accumulated amortisation	(295)	(647)	(1,121)	(1,434)
Net carrying amount	1,474	1,776	1,862	1,844

17. DEFERRED TAX

Deferred tax assets

	Provision for bad debts
At 1 January 2016	82
Deferred tax charged to profit or loss during the year *(note 10)*	8
At 31 December 2016 and at 1 January 2017	90
Deferred tax charged to profit or loss during the year *(note 10)*	–
At 31 December 2017 and at 1 January 2018	90
Deferred tax credited to profit or loss during the year *(note 10)*	(23)
At 31 December 2018 and 1 January 2019	67
Deferred tax credited to profit or loss during the period *(note 10)*	(3)
At 30 June 2019	64

Deferred tax assets that have not been recognised in respect of the following items:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	17,237	24,448	21,100	23,720

Deferred tax assets have not been recognised in respect of the losses amounting to RMB17,237,000, RMB24,448,000, RMB21,100,000 and RMB23,720,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

18. ACCOUNTS RECEIVABLE

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition and boarding fees receivable	2,853	3,751	4,187	4,306
Impairment	(96)	(124)	(266)	(256)
	2,757	3,627	3,921	4,050

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in August. The outstanding receivables represent amounts related to students who have applied for student loans. There is no fixed term for delayed payments. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

The movements in the loss allowance for impairment of accounts receivable are as follows:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	90	96	124	266
Impairment losses recognised/(reversed)	33	28	180	(10)
Amount written off as uncollectible	(27)	–	(38)	–
At the end of year/period	96	124	266	256

The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's accounts receivable related to a large 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 accounts receivable balances.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The expected credit loss rate of accounts receivable remained stable throughout the Relevant Periods due to the following reasons:

- accounts receivable as at 31 December 2016, 2017 and 2018 and 30 June 2019 were mainly tuition fees and boarding fees receivables due from students. The historical loss rate of trade receivables due from students remained stable throughout the Relevant Periods;
- management consistently applied the same policies and procedures on collection of tuition fees and boarding fees; and
- management's expectation of future economic environment and risk of default remained the same throughout the Relevant Periods.

Generally, accounts receivable are written off if past due for more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

Tuition fees receivable

30 June 2019

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.93%	2.35%	2.80%	3.41%	68.87%	
Gross carrying amount	–	2,674	563	454	229	3,920
Expected credit loss	–	63	16	15	158	252

31 December 2018

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.93%	2.16%	2.80%	3.41%	68.87%	
Gross carrying amount	–	2,261	802	560	251	3,874
Expected credit loss	–	49	22	19	173	263

31 December 2017

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.93%	2.16%	2.80%	3.41%	68.87%	
Gross carrying amount	–	1,519	1,065	755	45	3,384
Expected credit loss	–	33	30	26	31	120

31 December 2016

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	1.93%	2.16%	2.80%	3.41%	68.87%	
Gross carrying amount	–	1,449	1,013	111	45	2,618
Expected credit loss	–	31	28	4	31	94

Boarding fees receivable

30 June 2019

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	0.74%	0.85%	0.95%	1.13%	1.13%	
Gross carrying amount	–	205	104	59	18	386
Expected credit loss	–	2	1	1	–	4

31 December 2018

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	0.74%	0.79%	0.95%	1.13%	1.13%	
Gross carrying amount	–	114	114	65	20	313
Expected credit loss	–	1	1	1	–	3

31 December 2017

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	0.74%	0.79%	0.95%	1.13%	1.13%	
Gross carrying amount	–	119	163	84	1	367
Expected credit loss	–	1	2	1	–	4

31 December 2016

Collective assessment	**<1 month**	**2-12 months**	**13-24 months**	**25-36 months**	**>36 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	0.74%	0.79%	0.95%	1.13%	1.13%	
Gross carrying amount	–	120	101	8	6	235
Expected credit loss	–	1	1	–	–	2

19. PREPAYMENTS AND OTHER RECEIVABLES

	31 December			**30 June**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments to suppliers	3,578	2,329	4,015	8,790
Prepaid land lease payments to be amortised within one year *(note 14)*	15,134	15,134	15,134	–
Advance to employees	11,078	6,232	3,971	3,790
Other receivables and deposits	34,197	25,778	1,204	1,140
	63,987	49,473	24,324	13,720
Non-current portion:				
Prepayment for property, plant and equipment	11,323	1,546	12,528	5,121
	11,323	1,546	12,528	5,121

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. There was no loss allowance made for impairment of other receivables during the Relevant Periods.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the internal credit rating of other receivables from third parties and others was regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses will be immaterial.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	31 December			30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	266,316	39,601	442,078	195,408
Restricted cash	36,000	30,000	–	–
	302,316	69,601	442,078	195,408

At 31 December 2016, 2017 and 2018 and 30 June 2019, the cash and bank balances of the Group denominated in RMB amounted to RMB302,316,000, RMB69,601,000, RMB442,078,000 and RMB195,408,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

Restricted cash is related to borrowings obtained from banks and the Group is required to place certain amounts of cash in designated bank accounts. As at 31 December 2016, 2017 and 2018 and 30 June 2019, such restricted cash amounted to RMB36,000,000, RMB30,000,000, nil and nil, respectively.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the internal credit rating of restricted cash and cash and cash equivalents was regarded as the grade of performing. The Group has assessed that the credit risk of the restricted cash and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses will be immaterial.

21. OTHER PAYABLES AND ACCRUALS

		31 December			30 June
	Note	2016	2017	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment		2,207	1,108	1,455	3,678
Payables for construction projects		566,479	437,884	214,390	268,905
Other tax payable (other than income tax and land appreciation tax)		50,133	2,616	1,773	1,038
Payables to employees		12,174	11,524	–	–
Miscellaneous advances received from students	*(i)*	24,649	27,816	29,599	15,916
Accrued bonuses and other employee benefits		24,276	24,396	27,388	19,519
Accrued interest expenses		1,651	2,487	1,250	1,568
Scholarship payables		–	–	–	1,443
Others		1,695	2,195	4,066	11,540
		683,264	510,026	279,921	323,607

(i) The advances represented expenses relating to textbooks, military training, medical examination, insurance, etc. collected from students which will be paid on behalf of students.

The above balances are unsecured, non-interest-bearing and repayable on demand.

22. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2016, 2017 and 2018 and 30 June 2019 are expected to be recognised within one year:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	153,722	187,269	221,170	29,859
Boarding fees	26,099	32,952	38,938	13,992
Total contract liabilities	179,821	220,221	260,108	43,851

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

Changes in contract liabilities during the Relevant Periods are as follows:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	145,135	179,821	220,221	260,108
Revenue recognised that was included in the contract liabilities at the beginning of the year/period	(145,135)	(179,821)	(220,221)	(260,108)
Increase due to cash received, excluding amounts recognised as revenue during the year/period	179,821	220,221	260,108	43,851
At the end of the year/period	179,821	220,221	260,108	43,851

There were no contract assets at the end of each reporting period recognised in the consolidated statement of financial position.

23. TAX PAYABLE

		31 December			30 June
	Notes	**2016**	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payables		224,774	226,239	151,292	147,664
Land appreciation tax ("LAT")	*(2)*	132,427	–	–	–
		357,201	226,239	151,292	147,664
Portion classified as non-current liabilities	*(1)*	(147,196)	(147,196)	(147,196)	(147,196)
Current portion		210,005	79,043	4,096	468

(1) In August 2015, the Group had disposed of its old campus buildings and land to an independent third party with a total consideration of RMB1,960,779,000, among which the consideration of acquisition into the land reserve ("土地收購儲備") amounted to RMB1,022,539,000 and the consideration of acquisition of assets amounted to RMB938,240,000. As at 31 December 2016, 2017 and 2018 and 30 June 2019, included in the income tax payables was an amount of RMB147,196,000, RMB147,196,000, RMB147,196,000 and RMB147,196,000, respectively, which was calculated based on the consideration received from the acquisition into the land reserve, after deducting the carrying amount of the assets disposed of and moving expenses, at the tax rate of 25%. The above income tax payables have been deferred for settlement up to five years from the date of disposal according to the relevant tax regulation.

(2) The LAT of RMB132,427,000 arose from the above disposal, which was calculated based on the appreciation value, being proceeds from the acquisition of assets, after deducting the deductible items including costs of land use rights and assessed value of the old campus buildings, at progressive tax rates ranging from 30% to 60%, and has been settled during the year ended 31 December 2017.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2016			31 December 2017			31 December 2018			30 June 2019		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			*(%)*			*(%)*			*(%)*		
Current												
Bank loans – secured	4.35-9.00	2017	242,000	4.35-9.00	2018	333,620	4.79-5.66	2019	55,000	4.79-5.66	2020	25,000
Current portion of long term bank loans – secured	4.70-5.23	2017	85,000	4.70-5.46	2018	129,500	4.66-5.46	2019	120,400	4.66-5.94	2020	148,000
Finance lease payables – secured *(note 25)*	–	–	–	8.85	2018	11,440	–	–	–	–	–	–
			327,000			474,560			175,400			173,000
Non-current												
Bank loans – secured	4.70-5.23	2018-2026	831,180	4.70-5.46	2019-2026	871,680	4.66-5.46	2020-2026	951,280	4.66-5.94	2021-2026	983,280
Finance lease payables – secured *(note 25)*	–	–	–	8.85	2019-2022	21,182	–	–	–	–	–	–
			831,180			892,862			951,280			983,280
			1,158,180			1,367,422			1,126,680			1,156,280

Bank and other borrowings

	31 December			30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Amount of bank and other borrowings)			
Analysed into:				
Repayable within one year	327,000	474,560	175,400	173,000
Repayable in the second year	129,500	156,582	153,500	168,000
Repayable within two to five years	380,400	440,000	440,500	474,000
Repayable in more than five years	321,280	296,280	357,280	341,280
Subtotal	831,180	892,862	951,280	983,280
	1,158,180	1,367,422	1,126,680	1,156,280

The Group's bank and other borrowings are all denominated in RMB.

The Group's bank borrowings of up to RMB971,180,000, RMB1,086,180,000, RMB1,126,680,000 and RMB1,156,280,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, were borrowings with floating interest rate.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's bank borrowings of RMB746,680,000, RMB691,680,000, RMB826,680,000 and RMB841,280,000 are secured by the Group's rights over tuition fees and boarding fees, respectively.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's bank borrowings of RMB33,400,000, RMB29,120,000, nil and nil were secured by the Group's fixed term deposits of RMB36,000,000, RMB30,000,000, nil and nil (note 20), respectively.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's bank and other borrowings of RMB99,500,000, RMB99,500,000, nil and nil, respectively, were secured by Jian Zhi Qiao Management's property amounting to RMB85,000,000 and 上海琪域企業管理有限公司's (Shanghai Qiyu Management Limited ("Shanghai Qiyu")) property amounting to RMB80,200,000 (note 32). Jian Zhi Qiao Management and Shanghai Qiyu are related companies of the Company which are defined in note 32.

Certain of the Group's bank and other borrowings are guaranteed by the following related parties:

	31 December			30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
	(Amount of bank and other borrowings guaranteed)				
Name of related parties (as defined in note 32)					
Jointly, Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	746,680	691,680	626,680	691,680	626,680
Jointly, Jian Qiao Assets Management and Mr. Zhou Xingzeng	–	–	200,000	–	214,600
Mr. Zhou Xingzeng	–	176,820	25,000	75,000	25,000
Jointly, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	239,500	374,500	275,000	414,500	165,000
Jointly, Mr. Zhou Xingzeng, Ms. Huang Xiaomei and Mr. Shi Yinjie	–	5,000	–	–	–
	986,180	1,248,000	1,126,680	1,181,180	1,031,280

25. FINANCE LEASE PAYABLES

Finance lease payables as at 31 December 2017 represent the borrowings under financing arrangements entered into by the Group with a third-party leasing company, in the form of a sale and leaseback transaction which results in a finance lease and bears a repurchase option. The subjects sold and leased back under the financing arrangements are the devices and equipment owned by the Group. As the repurchase prices are set at RMB7,400, which is minimal when compared to the expected fair values of the underlying assets at the end of the lease periods of five years and the Group is certain that it will exercise the repurchase option, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralised borrowings at amortised cost using the effective interest method.

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 31 December 2017	Present value of payments 31 December 2017
	RMB'000	*RMB'000*
Amounts payable:		
Within one year	13,986	11,440
In the second year	14,874	13,436
In the third to fifth year, inclusive	7,999	7,746
Total minimum finance lease payments	36,859	32,622
Future finance charges	(4,237)	
Total net finance lease payables	32,622	
Portion classified as current liabilities *(note 24)*	(11,440)	
Non-current portion *(note 24)*	21,182	

26. DEFERRED INCOME

		31 December			30 June
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		56,704	46,190	67,216	85,913
Received during the year/period		58,250	83,656	93,995	19,498
Deducting the carrying amount of the assets *(note 13)*	*(1)*	(40,772)	(23,996)	(17,674)	(26,332)
Deducting the related expense	*(2)*	(27,255)	(27,740)	(42,553)	(20,823)
Recognised in other income *(note 5)*	*(3)*	(737)	(10,894)	(15,071)	(1,527)
At end of year/period		46,190	67,216	85,913	56,729
Current		–	–	–	–
Non-current		46,190	67,216	85,913	56,729
		46,190	67,216	85,913	56,729

(1) The grants are related to the improvement of teaching facilities on certain special projects. Upon completion of the related projects, the grants related to an asset would be deducted from the carrying amount of the assets.

(2) The grants are mainly related to the subsidies received from the government for the purpose of subsidising students and government promoted programs. Upon completion of the related activities, the grants would be released to profit or loss and deducted from the related expenditure to which they relate. Government grants received for which expenditure has not yet been undertaken are included in deferred income.

(3) The grants mainly represent the tax refund from the local government recognised in other income and gains upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

27. SHARE CAPITAL

	31 December			30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued capital	–	–	–	–

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 May 2018 with authorised share capital of an amount divided in 38,000,000 shares of HKD0.01 par value each. At the time of incorporation, the issued share capital of the Company was HK$0.01, with one share of HK$0.01 and held by Sharon Pierson, an independent third party. On the same date, the said one share was transferred to Gan En Limited for a consideration at par value.

On the same date, the Company issued and allotted 1,315 shares to Gan En Limited, 2,200 shares to She De Limited, 1,020 shares to Ze Ren Limited, 1,000 Shares to Ai Xin Limited, 570 shares to Tuan Jie Limited, 500 shares to Shen Si Limited, 500 shares to Zi Qiang Limited, 500 shares to Kai Tuo Limited, 506 shares to Du Zhi Limited, 350 shares to Qie Wen Limited, 247 shares to Jin Si Limited, 350 shares to Tuo Xin Limited, 350 shares to Ming Bian Limited, 245 shares to Hou Tu Limited, 173 shares to Qiu Shi Limited and 174 shares to Bo Xue Limited, for a consideration at par value.

28. 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.

(a) Capital reserve

The capital reserve of the Group represents the capital contribution 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.

(b) 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) the general reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves 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 for reasonable returns, it is required to appropriate the development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Due to ultimate shareholders	Due to related companies	Interest payable
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	1,015,764	42,865	110,858	1,531
Cash flows from/(used in) financing activities	141,727	(23,335)	(93,759)	(56,824)
Interest expense	689	–	–	56,944
At 31 December 2016	1,158,180	19,530	17,099	1,651
Cash flows from/(used in) financing activities	208,439	3,618	2,502	(60,610)
Interest expense	803	–	–	61,446
At 31 December 2017	1,367,422	23,148	19,601	2,487
Cash flows used in financing activities	(243,033)	(23,148)	(18,780)	(59,282)
Interest expense	2,291	–	–	57,055
Interest capitalised	–	–	–	990
At 31 December 2018	1,126,680	–	821	1,250
Cash flows from/(used in) financing activities	29,600	–	(821)	(27,879)
Interest expense	–	–	–	23,474
Interest capitalised	–	–	–	4,723
At 30 June 2019	1,156,280	–	–	1,568
At 31 December 2017	1,367,422	23,148	19,601	2,487
Cash flows used in financing activities	(99,033)	(23,148)	(18,760)	(33,828)
Interest expense	2,291	–	–	33,080
At 30 June 2018	1,270,680	–	841	1,739

30. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from two to ten years.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	6,420	6,341	5,504	3,826
In the second to fifth years, inclusive	21,219	18,918	17,623	12,892
Beyond five years	16,063	12,023	8,333	4,500
	43,702	37,282	31,460	21,218

31. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	–	181,095	144,912	12,576

32. RELATED PARTY TRANSACTIONS

(1) Name and relationship

The directors of the Group are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the Relevant Periods.

Name of related party	Relationship with the Group
Mr. Zhou Xingzeng	Chairman and one of the ultimate shareholders
Mr. Zheng Xiangzhan	One of the ultimate shareholders
Mr. Shi Yinjie	One of the ultimate shareholders
Mr. Chen Shengcai	One of the ultimate shareholders
Mr. Chen Shengfang	One of the ultimate shareholders
Mr. Bao Jianmin	One of the ultimate shareholders
Mr. Wang Chengguang	One of the ultimate shareholders
Mr. Wang Hualin	One of the ultimate shareholders
Mr. Chen Zhiyong	One of the ultimate shareholders
Mr. Zhou Xinghua	Brother of Mr. Zhou Xingzeng
Ms. Huang Xiaomei	Spouse of Mr. Zhou Xingzeng
Mr. Zhou Qiaoqi	Son of Mr. Zhou Xingzeng
Jian Zhi Qiao Development	A company controlled by the ultimate shareholders
Jian Zhi Qiao Management	A company controlled by the ultimate shareholders
上海建橋教育服務有限公司 ("Jian Qiao Education & Service")	A subsidiary of Jian Zhi Qiao Management
建橋集團資產管理有限公司 ("Jian Qiao Assets Management")	A subsidiary of Jian Zhi Qiao Management
上海建橋教育培訓有限公司 ("Jian Qiao Education & Training")	A subsidiary of Jian Zhi Qiao Management
浙江建橋能源發展有限公司 ("Zhejiang Jianqiao Energy Development")	A subsidiary of Jian Zhi Qiao Management
上海建橋集團國際貿易有限公司 ("Jian Qiao International Trade")	An associate of Jian Zhi Qiao Management
Shanghai Qiyu	A company controlled by Mr. Zhou Qiaoqi
溫州中大橋架母線槽有限公司 ("Wenzhou Zhongda")	A company controlled by Mr. Zhou Xingzeng
上海正一置業有限公司 ("Shanghai Zhengyi")	A company controlled by Mr. Zhou Xinghua
上海傲輝光源電器有限公司 ("Shanghai Aohui")	A company controlled by Mr. Zhou Xinghua

(2) Transactions with related parties

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Advance to an ultimate shareholder *(ii)*					
Mr. Zhou Xingzeng	115,044	35,884	–	–	–
Advance to ultimate shareholders					
Mr. Zheng Xiangzhan	191	2,200	–	–	–
Mr. Chen Zhiyong	–	2,000	–	–	–
Mr. Shi Yinjie	1,850	610	–	–	–
Mr. Wang Chengguang	500	2,000	–	–	–
Mr. Wang Hualin	–	200	–	–	–
	2,541	7,010	–	–	–
Repayment from ultimate shareholders					
Mr. Zhou Xingzeng	–	–	241,969	221,474	–
Mr. Wang Hualin	181	–	10,498	698	–
Mr. Wang Chengguang	–	1,000	1,500	1,500	–
Mr. Chen Zhiyong	–	–	2,200	–	–
Mr. Zheng Xiangzhan	–	–	10,282	10,282	–
Mr. Shi Yinjie	–	2,460	–	–	–
	181	3,460	266,449	233,954	–
Advance to related companies					
Jian Zhi Qiao Development	–	282,452	–	–	–
Jian Zhi Qiao Management	22,764	–	–	–	–
Jian Qiao Education & Service	19,860	15,667	–	–	–
	42,624	298,119	–	–	–
Repayment from related companies					
Jian Zhi Qiao Development	188,780	–	407,288	368,263	–
Jian Zhi Qiao Management	–	13,893	8,871	8,871	–
Jian Qiao Education & Service	–	6,714	28,812	106	–
Shanghai Zhengyi	–	–	3,000	3,000	–
	188,780	20,607	447,971	380,240	–
Advance from ultimate shareholders					
Mr. Chen Shengcai	–	38	–	–	–
Mr. Chen Shengfang	–	50	–	–	–
Mr. Bao Jianmin	–	3,530	–	–	–
	–	3,618	–	–	–

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Repayment to ultimate shareholders					
Mr. Chen Shengcai	2,500	–	2,488	2,488	–
Mr. Chen Shengfang	11,900	–	12,310	12,310	–
Mr. Wang Chengguang	435	–	–	–	–
Mr. Bao Jianmin	8,500	–	8,350	8,350	–
	23,335	–	23,148	23,148	–
Advance from related companies					
Shanghai Aohui	–	3,480	–	–	–
Jian Qiao Education & Service	–	–	634	–	–
Jian Zhi Qiao Development	–	–	1,462	–	–
Jian Zhi Qiao Management	–	–	841	841	–
	–	3,480	2,937	841	–
Repayment to related companies					
Jian Qiao Education & Service	32	–	634	–	–
Jian Zhi Qiao Development	–	–	641	–	821
Jian Zhi Qiao Management	86,898	–	841	–	–
Wenzhou Zhongda	–	74	–	–	–
Shanghai Aohui	6,829	904	19,601	19,601	–
	93,759	978	21,717	19,601	821
Interest income from an ultimate shareholder *(ii)*					
Mr. Zhou Xingzeng	5,601	7,223	3,312	3,312	–
Rental income from related companies *(i)*					
Jian Qiao Education & Training	1,000	1,000	1,000	500	–

(i) The transaction was carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) During the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018, the Group made advances to Mr. Zhou Xingzeng, which are unsecured and bear interest at interest rates ranging from 4.35% to 16% per annum with a term of 2 months to 1 year.

(3) Other transactions with related parties

Certain of the Group's bank and other borrowings are guaranteed by the following related parties:

	31 December			30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Amount of bank and other borrowings guaranteed)				
Name of related parties					
Jointly, Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	746,680	691,680	626,680	691,680	626,680
Jointly, Jian Qiao Assets Management and Mr. Zhou Xingzeng	–	–	200,000	–	214,600
Mr. Zhou Xingzeng	–	176,820	25,000	75,000	25,000
Jointly, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	239,500	374,500	275,000	414,500	165,000
Jointly, Mr. Zhou Xingzeng, Ms. Huang Xiaomei and Mr. Shi Yinjie	–	5,000	–	–	–
	986,180	1,248,000	1,126,680	1,181,180	1,031,280

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's bank and other borrowings of RMB99,500,000, RMB99,500,000, nil and nil, respectively, were secured by Jian Zhi Qiao Management's property amounting to RMB85,000,000 and Shanghai Qiyu's property amounting to RMB80,200,000 (note 24).

As disclosed in note 36, all the above guarantees provided by the related parties on the Group's bank borrowings have been or will be released or replaced at or prior to the Listing.

The Group has provided guarantees for certain bank borrowings of the following related parties:

	31 December			30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
	(Maximum guaranteed loan amount)*				
Name of related parties					
Zhejiang Jianqiao Energy Development	700,000	700,000	–	700,000	–
Jian Qiao Education & Service	–	10,000	–	30,000	–
Jian Qiao International Trade	–	–	–	30,000	–
	700,000	710,000	–	760,000	–

* The amount disclosed therein is the maximum amount of bank loans of the above related parties for which the Group has contractually agreed to guarantee. The actual amount of bank loans outstanding under such guarantees fluctuated from time to time over the Relevant Periods and may be less than the contractual maximum under such guarantees at any point in time.

In addition to the above guarantees, one guarantee was provided by Jian Qiao Group covering a maximum bank loan amount of RMB73.99 million of a related party, and pursuant to a supplemental agreement dated 29 December 2018 among Jian Qiao Group, the relevant bank creditor and Jian Zhi Qiao Development, (i) Jian Zhi Qiao Development replaced Jian Qiao Group as guarantor under such guarantee; and (ii) all of the rights and obligations of Jian Qiao Group under such guarantee (whether before or after the date of the supplemental agreement) were transferred to Jian Zhi Qiao Development upon signing the said supplemental agreement.

(4) Outstanding balances with related parties

	31 December			30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from a related company:				
Trade related				
Jian Qiao Education & Training	1,000	2,000	–	–
Due from ultimate shareholders:				
Non-trade related				
Mr. Zhou Xingzeng	195,550	238,657	–	–
Mr. Zheng Xiangzhan	1,850	–	–	–
Mr. Shi Yinjie	8,082	10,282	–	–
Mr. Wang Chengguang	500	1,500	–	–
Mr. Wang Hualin	10,298	10,498	–	–
Mr. Chen Zhiyong	200	2,200	–	–
	216,480	263,137	–	–
Due from related companies:				
Non-trade related				
Jian Qiao Education & Service	19,860	28,813	–	–
Jian Zhi Qiao Development	124,835	407,287	–	–
Jian Zhi Qiao Management	22,764	8,871	–	–
Shanghai Zhengyi	3,000	3,000	–	–
	170,459	447,971	–	–
Due to ultimate shareholders:				
Non-trade related				
Mr. Chen Shengcai	2,450	2,488	–	–
Mr. Chen Shengfang	12,260	12,310	–	–
Mr. Bao Jianmin	4,820	8,350	–	–
	19,530	23,148	–	–
Due to related companies:				
Non-trade related				
Jian Zhi Qiao Development	–	–	821	–
Wenzhou Zhongda	74	–	–	–
Shanghai Aohui	17,025	19,601	–	–
	17,099	19,601	821	–

Except for loans to Mr. Zhou Xingzeng, the balances with the above related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

(5) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	1,097	1,407	1,763	881	964
Pension scheme contributions	106	115	140	68	72
	1,203	1,522	1,903	949	1,036

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

30 June 2019

Financial assets

	Financial assets at amortised cost	**Total**
	RMB'000	*RMB'000*
Accounts receivable	4,050	4,050
Financial assets included in prepayments and other receivables *(note 19)*	4,930	4,930
Cash and cash equivalents	195,408	195,408
	204,388	204,388

Financial liabilities

	Financial liabilities at amortised cost	**Total**
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals *(note 21)*	303,050	303,050
Interest-bearing bank and other borrowings	1,156,280	1,156,280
	1,459,330	1,459,330

31 December 2018

Financial assets

	Financial assets at amortised cost	**Total**
	RMB'000	*RMB'000*
Accounts receivable	3,921	3,921
Financial assets included in prepayments and other receivables *(note 19)*	5,175	5,175
Cash and cash equivalents	442,078	442,078
	451,174	451,174

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals *(note 21)*	250,760	250,760
Due to related companies	821	821
Interest-bearing bank and other borrowings	1,126,680	1,126,680
	1,378,261	1,378,261

31 December 2017

Financial assets

	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*
Accounts receivable	3,627	3,627
Financial assets included in prepayments and other receivables *(note 19)*	32,010	32,010
Due from related companies	449,971	449,971
Due from ultimate shareholders	263,137	263,137
Restricted cash	30,000	30,000
Cash and cash equivalents	39,601	39,601
	818,346	818,346

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals *(note 21)*	483,013	483,013
Due to related companies	19,601	19,601
Due to ultimate shareholders	23,148	23,148
Interest-bearing bank and other borrowings	1,367,422	1,367,422
	1,893,184	1,893,184

31 December 2016

Financial assets

	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*
Accounts receivable	2,757	2,757
Financial assets included in prepayments and other receivables *(note 19)*	45,275	45,275
Due from related companies	171,459	171,459
Due from ultimate shareholders	216,480	216,480
Restricted cash	36,000	36,000
Cash and cash equivalents	266,316	266,316
	738,287	738,287

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals *(note 21)*	608,856	608,856
Due to related companies	17,099	17,099
Due to ultimate shareholders	19,530	19,530
Interest-bearing bank and other borrowings	1,158,180	1,158,180
	1,803,665	1,803,665

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	31 December 2016	31 December 2017	31 December 2018	30 June 2019	31 December 2016	31 December 2017	31 December 2018	30 June 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Interest-bearing bank and other borrowings *(note 24)*	1,158,180	1,367,422	1,126,680	1,156,280	1,116,977	1,321,773	1,068,897	1,113,628

Management has assessed that the fair values of financial assets included in prepayments and other receivables, amounts due from related companies, amounts due from ultimate shareholders, restricted cash, cash and cash equivalents, financial liabilities included in other payables and accruals, amounts due to related companies and amounts due to ultimate shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice year for annual financial reporting.

The fair value of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016, 2017 and 2018 and 30 June 2019 was assessed to be insignificant.

The Group did not have any financial assets measured at fair value as at 31 December 2016, 2017, 2018 and 30 June 2019.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets included in prepayments and other receivables and cash and cash equivalents, financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as amounts with related companies, amounts with ultimate shareholders, interest-bearing bank and other borrowings and finance lease payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and finance lease payables set out in notes 24 and 25, respectively. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank and other borrowings had increased/decreased by 1% with all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB505,000, RMB509,000, RMB553,000 and RMB281,000 for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively.

(b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2016, 2017 and 2018 and 30 June 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2019					
Accounts receivable	–	–	–	4,306	4,306
Financial assets included in prepayments and other receivables	4,930	–	–	–	4,930
Cash and cash equivalents	195,408	–	–	–	195,408
	200,338	–	–	4,306	204,644
31 December 2018					
Accounts receivable	–	–	–	4,187	4,187
Financial assets included in prepayments and other receivables	5,175	–	–	–	5,175
Cash and cash equivalents	442,078	–	–	–	442,078
	447,253	–	–	4,187	451,440
31 December 2017					
Accounts receivable	–	–	–	3,751	3,751
Due from ultimate shareholders	263,137	–	–	–	263,137
Due from related companies	449,971	–	–	–	449,971
Financial assets included in prepayments and other receivables	32,010	–	–	–	32,010
Restricted cash	30,000	–	–	–	30,000
Cash and cash equivalents	39,601	–	–	–	39,601
	814,719	–	–	3,751	818,470
31 December 2016					
Accounts receivable	–	–	–	2,853	2,853
Due from ultimate shareholders	216,480	–	–	–	216,480
Due from related companies	171,459	–	–	–	171,459
Financial assets included in prepayments and other receivables	45,275	–	–	–	45,275
Restricted cash	36,000	–	–	–	36,000
Cash and cash equivalents	266,316	–	–	–	266,316
	735,530	–	–	2,853	738,383

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2019					
Financial liabilities included in other payables and accruals *(note 21)*	303,050	–	–	–	303,050
Interest-bearing bank and other borrowings	–	102,665	119,181	1,111,924	1,333,770
	303,050	102,665	119,181	1,111,924	1,636,820
31 December 2018					
Financial liabilities included in other payables and accruals *(note 21)*	250,760	–	–	–	250,760
Due to related companies	821	–	–	–	821
Interest-bearing bank and other borrowings	–	24,469	190,753	1,052,333	1,267,555
	251,581	24,469	190,753	1,052,333	1,519,136
31 December 2017					
Financial liabilities included in other payables and accruals *(note 21)*	483,013	–	–	–	483,013
Due to related companies	19,601	–	–	–	19,601
Due to ultimate shareholders	23,148	–	–	–	23,148
Finance lease payables	–	3,497	10,489	22,873	36,859
Interest-bearing bank and other borrowings	–	49,840	481,066	1,012,357	1,543,263
	525,762	53,337	491,555	1,035,230	2,105,884
31 December 2016					
Financial liabilities included in other payables and accruals *(note 21)*	608,856	–	–	–	608,856
Due to related companies	17,099	–	–	–	17,099
Due to ultimate shareholders	19,530	–	–	–	19,530
Interest-bearing bank and other borrowings	–	28,804	348,248	988,848	1,365,900
	645,485	28,804	348,248	988,848	2,011,385

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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 monitors capital using a gearing ratio, which is total debt divided by total equity at the end of each of the Relevant Periods. The Group includes, within total debt, interest-bearing bank and other borrowings. Total equity represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December			30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	1,158,180	1,367,422	1,126,680	1,156,280
Total debt	1,158,180	1,367,422	1,126,680	1,156,280
Total equity	645,474	691,517	889,892	970,890
Gearing ratio	179.4%	197.7%	126.6%	119.1%

36. EVENTS AFTER THE RELEVANT PERIODS

The following events took place subsequent to the reporting date:

(1) Guarantees amounting to RMB1,031,280,000 at 30 June 2019 provided by the related parties on the Group's certain bank borrowings, as disclosed in note 32, have been or will be released or replaced at or prior to the listing.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of June 30, 2019 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2019 or any future date. It is prepared based on our consolidated net tangible assets as of June 30, 2019 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this Prospectus.

	Consolidated net tangible assets attributable to owners of our Company as of June 30, 2019[(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)]	
		(RMB in thousands)		*RMB*	*HK$[(4)]*
Based on the Offer Price of HK$6.05 per Share	969,046	493,215	1,462,261	3.66	4.07
Based on the Offer Price of HK$7.73 per Share	969,046	644,230	1,613,276	4.03	4.48

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of June 30, 2019 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of our Company as of June 30, 2019 of approximately RMB970.9 million after deducting intangible assets of RMB1.8 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$6.05 per Share and HK$7.73 per Share, after deduction of the underwriting fees and other related expenses payable by the Group (excluding approximately RMB17.9 million of listing expenses which have been paid for up to June 30, 2019) 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 RMB0.8990.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 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 RMB0.8990.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Shanghai Gench Education Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shanghai Gench Education Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at June 30, 2019, and related notes as set out on page II-1 of the prospectus dated December 31, 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page II-1 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 June 30, 2019 as if the transaction had taken place at June 30, 2019. 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 June 30, 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") *7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' 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,

Certified Public Accountants
Hong Kong
December 31, 2019

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the Group in the PRC as at October 31, 2019.

CUSHMAN & WAKEFIELD
戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

December 31, 2019

The Directors
Shanghai Gench Education Group Limited
No. 1111 Hucheng Ring Road,
Pudong New Area,
Shanghai,
the PRC

Dear Sirs,

Instructions, Purpose & Valuation Date

We refer to the instruction of Shanghai Gench Education Group Limited (上海建橋教育集團有限公司) (the "Company") for Cushman & Wakefield Limited ("C&W") to prepare market valuation of the property in which the Company and/or its subsidiaries (together referred to as the "Group") have interests in the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the property as at October 31, 2019 (the valuation date).

Valuation Basis

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

Our valuation of the property is on an entirety interest basis.

Valuation Assumptions

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have relied on the information and advice given by the Company's legal adviser, Commerce & Finance Law Offices, regarding the titles to the property and the interests of the Company in the property in the PRC. Unless otherwise stated in the legal opinion, in valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

In valuing the property, due to the specific nature of the property and lack of sales transactions of the properties of the same characteristics in the vicinity, we have adopted the Depreciated Replacement Costs ("DRC") Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. The DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, Commerce & Finance Law Offices regarding the title to the property and the interests of the Group in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, completion date of buildings, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the property.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, Commerce & Finance Law Offices, in respect of the title to the property in the PRC.

Site Inspection

Mr. Tyler Chen (Assistant Manager, 2 years of experience) of our Shanghai Office who is under supervision of Mr. Eric Fan (Registered China Real Estate Appraiser), inspected the exterior and, where possible, the interior of the property on November 26, 2019. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("RMB"), the official currency of the PRC.

Other Disclosure We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of Hong Kong Limited.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Intended Use and User of Report This valuation report is issued only for the use of the Company for incorporation into the prospectus.

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Andrew K. F. Chan
MSc, FRICS, MHKIS, MCIREA, RPS(GP)
Managing Director
Valuation & Advisory Services, Greater China

Note: Andrew K.F. Chan is a Fellow Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and Registered Professional Surveyor (General Practice). Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property held by the Group for owner occupation in the PRC

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at October 31, 2019</th></tr>
<tr><td>Shanghai Jian Qiao University,
No. 1111 Hucheng Ring Road,
No. 1000 Ganlan Road,
Pudong New Area,
Shanghai,
the PRC</td><td>The property comprises an education development known as Shanghai Jian Qiao University. The property comprises several buildings and structures erected thereon 2 parcels of adjoining land with a total site area of 532,578 sq.m.

According to Certificates of Real Estate Ownership, the completed portions of the property comprise 50 education buildings with a total gross floor area of 359,192.06 sq.m. and were completed in 2016 with details as follows:

<table><tr><th>Use</th><th>Gross Floor Area</th></tr><tr><td></td><td>(sq.m.)</td></tr><tr><td>Library</td><td>44,651.58</td></tr><tr><td>Teaching Building</td><td>81,069.28</td></tr><tr><td>Hall</td><td>7,740.84</td></tr><tr><td>Training Center</td><td>4,765.51</td></tr><tr><td>Stadium</td><td>8,580.27</td></tr><tr><td>Canteen</td><td>22,553.22</td></tr><tr><td>Dormitories</td><td>184,769.84</td></tr><tr><td>Ancillary Facilities</td><td>5,061.52</td></tr><tr><td></td><td>359,192.06</td></tr></table>
According to the development scheme provided by the Company, the under construction portions of the property comprise a teaching building, 2 dormitories and 1 ancillary facility building with a total planned gross floor area of 60,076.38 sq.m. As advised by the Company, the construction work with respect to these four buildings have been completed and the Company is in the process of applying for building ownership certificate for these four buildings of the property.

In addition, there is a building (student activity centre) located on the subject site with a gross floor area of approximately 4,987 sq.m. The building ownership certificate for the student activity center has not been obtained.

The property is located in the sub urban area of Pudong New Area of Shanghai. Developments nearby are mainly residential and industrial in nature. According to the information provided by the Group, the property is for education use.

The land use rights of the property have been granted for terms due to expire on 1 July 2063 for education use.</td><td>As at the valuation date, the property was operated by the Group as a university.</td><td>RMB5,213,000,000
(RENMINBI FIVE BILLION TWO HUNDRED AND THIRTEEN MILLION)</td></tr>
</table>

Notes:

(1) A building (student activity centre) located on the subject site has a gross floor area of 4,987 sq.m. The Company (i) had commenced construction without obtaining the construction works commencement permit and (ii) put into use without passing the construction completion inspection, the fire control inspection and the environmental acceptance check. The building ownership certificate for the student activity center has not been obtained. In the course of our valuation, we have ascribed no commercial value to the aforesaid building.

(2) According to 2 Certificates of Real Estate Ownership issued by the Shanghai Housing and Land Resources Administrative Bureau on May 27, 2017, the land use rights of the property comprising 2 parcels of land with a total site area of 532,578 sq.m. for terms due to expire on July 1, 2063 for education use and the building ownership of the property with a total gross floor area of 359,192.06 sq.m. have been vested in Shanghai Jian Qiao University (上海建橋學院) for education use with details as follows:

Certificate No.	Land Lot No.	Site Area	Block No.	Year of Completion	Gross Floor Area
		(sq.m.)			*(sq.m.)*
(2017) 060898	2/7 Qiu, 37 Jiefang, Shuyuan Town, Pudong New Area	409,151	1-32, 37-44 and 46-50	2016	331,315.44
(2017) 060899	7/3 Qiu, 38 Jiefang, Shuyuan Town, Pudong New Area	123,427	33-36 and 45	2016	27,876.62
Total		532,578			359,192.06

(3) According to Planning Permit for Construction Works issued by the Shanghai Planning and Nature Resources Bureau on October 10, 2019, the construction works of the student activity centre with a gross floor area of 4,987 sq.m. are in compliance with the urban planning and were permitted to be developed.

(4) According to 2 Planning Permits for Construction Works issued by the Shanghai Planning and State-owned Land Resources Bureau on April 17, 2018, the construction works of the property with a total gross floor area of 60,076.38 sq.m. are in compliance with the requirements of urban planning and were permitted to be developed with details as follows:

Certificate No.	Planned Building	Gross Floor Area
		(sq.m.)
(2018) FA31003520186932	Dormitory No. 16, Teaching Building No. 5	37,412.38
(2018) FA31003520186933	Dormitory No. 17, Ancillary Building	22,664.00
Total		60,076.38

(5) According to 2 Permits for Commencement of Construction Works issued by the Shanghai Housing and City Construction Management Committee on April 27, 2018, the construction works of the property with a total gross floor area of approximately 60,076.38 sq.m., are in compliance with the requirements for the works commencement and have been permitted by relevant authorities with details as follows:

Certificate No.	Planned Building	Gross Floor Area
		(sq.m.)
18LGPD0003D01	Dormitory No. 16, Teaching Building No. 5	37,412.38
18LGPD0002D01	Dormitory No. 17, Ancillary Building	22,664.00
Total		60,076.38

(6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) Shanghai Jian Qiao University (上海建橋學院) is the sole legal land user of the property and have obtained the relevant certificates and approval from the government in respect of the construction of the property (except the student activity centre);

(b) Shanghai Jian Qiao University (上海建橋學院) has the rights to occupy, use, lease and transfer the land use rights and building ownership of the property according to the legal usage prescribed in the Certificates of Real Estate Ownership during the remaining land use term as stated in the aforesaid certificates;

(c) Shanghai Jian Qiao University (上海建橋學院) has the rights to carry out construction works of the under construction portion of the property in accordance with the corresponding approval documents issued by the relevant government authorities; and

(d) A building (student activity centre) located on the subject site has a gross floor area of 4,987 sq.m. The Company (i) had commenced construction without obtaining the construction planning permit and the construction works commencement permit and (ii) put into use without passing the construction completion inspection, the fire control inspection and the environmental acceptance check. The building ownership certificate for the student activity center has not been obtained.

(7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the legal opinion are as follows:

Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes

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 May 8, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its 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 December 19, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities of securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 24, 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. The register of members shall contain such particulars as required by Section 40 of the Companies Law. 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 thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on May 8, 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 31, 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. Mr. Wong Yu Kit (黃儒傑) 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 Articles of Association is set out in Appendix IV of this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was HK$0.01, with one Share of HK$0.01 and held by Sharon Pierson, an Independent Third Party. On the same date, the said one Share was transferred to Gan En Limited for a consideration at par value.

On the same date, our Company issued and allotted 1,314 Shares to Gan En Limited, 2,200 Shares to She De Limited, 1,020 Shares to Ze Ren Limited, 1,000 Shares to Ai Xin Limited, 570 Shares to Tuan Jie Limited, 500 Shares to Shen Si Limited, 500 Shares to Zi Qiang Limited, 500 Shares to Kai Tuo Limited, 506 Shares to Du Zhi Limited, 350 Shares to Qie Wen Limited, 247 Shares to Jin Si Limited, 350 Shares to Tuo Xin Limited, 350 Shares to Ming Bian Limited, 245 Shares to Hou Tu Limited, 173 Shares to Qiu Shi Limited, 174 Shares to Bo Xue Limited, for a consideration at par value.

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 HK$5,000,000 divided into 500,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 100,000,000 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 of our Company passed on December 19, 2019" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries and PRC Affiliated Entities

The following alterations in the share capital or registered capital of our subsidiaries and PRC Affiliated Entities took place within the two years immediately preceding the date of this prospectus:

Gench BVI

On May 15, 2018, Gench BVI was incorporated as a limited liability company under the laws of the BVI, with authorized maximum shares of 50,000 ordinary shares of a single class without par value. At the time of the incorporation, the issued share capital of Gench BVI was US$1, with 1 ordinary share of nominal value of US$1 held by our Company.

Gench HK

On June 1, 2018, Gench HK was incorporated as a limited liability company under the laws of Hong Kong. At the time of the incorporation, one share of Gench HK was issued and owned by Gench BVI.

Gench WFOE

On October 31, 2018, Gench WFOE was established in the PRC as a wholly-foreign owned enterprise with a registered capital of RMB10 million, which was wholly owned by Gench HK.

Gench US

Gench US was incorporated as a company under the laws of the State of California on August 13, 2018 with 10,000 shares of no par value each being authorized to be issued. On October 30, 2018, 10,000 Shares was allotted and issued to Gench HK.

Save as disclosed above, there has been no alteration in the share capital or registered capital of the subsidiaries and PRC Affiliated Entities of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of the then shareholders of our Company passed on December 19, 2019

Pursuant to the written resolutions of the then shareholders of our Company entitled to vote at general meetings of our Company, which were passed on December 19, 2019:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each by the creation of 462,000,000 Shares of HK$0.01 each, which shall rank pari passu in all respects with the Shares in issue as at the date of the resolution;

(c) 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)) by the Sole Representative (on behalf of the Underwriters) 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 HK$2,999,900 be capitalized and applied in paying up in full at par value 299,990,000 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 the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on

Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, 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 the Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law 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 of our Company passed on December 19, 2019, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue 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 of our Company passed on December 19, 2019" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(1) a business cooperation agreement dated December 11, 2018 entered into by and among Gench WFOE, our PRC Affiliated Entities and the Registered Shareholders, pursuant to which Gench WFOE agreed to provide technical service, management support service and consultancy service necessary for conducting private education activities to our PRC Affiliated Entities pursuant to the Contractual Arrangements in return for each of our PRC Affiliated Entities to pay to Gench WFOE fees pursuant to the Contractual Arrangements;

(2) an exclusive technical service and management consultancy agreement dated December 11, 2018 and entered into by and among Gench WFOE and our PRC Affiliated Entities, pursuant to which Gench WFOE agreed to provide exclusive technical service as well as exclusive management and consultancy service to our PRC Affiliated Entities, and as consideration, our PRC Affiliated Entities agreed to pay on an annual basis the relevant services fees to Gench WFOE equal to (i) as for our University, all of its respective amount of surplus from operations (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by the law), the legally compulsory development fund of our University (if required by the law)) and other fees required by the law), and (ii) as for the School Sponsors, all of their net profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law));

(3) an exclusive call option agreement dated December 11, 2018 and entered into by and among Gench WFOE, the Registered Shareholders and our PRC Affiliated Entities, pursuant to which each of the Registered Shareholders irrevocably granted Gench WFOE or its designated purchaser an exclusive option to purchase all or part of his direct or indirect interest in our PRC Affiliated Entities at the lowest price permitted under the PRC laws and regulations;

(4) an equity pledge agreement dated December 11, 2018 and entered into by and among the Registered Shareholders, Jian Qiao Group and Gench WFOE, pursuant to which each of the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his equity interest and rights in Jian Qiao Group to Gench WFOE for the purpose of securing the performance of the contractual obligations of our PRC Affiliated Entities and the Registered Shareholders under the Contractual Arrangements;

(5) an equity pledge agreement dated December 11, 2018 and entered into by and among our School Sponsors and Gench WFOE, pursuant to which Jian Qiao Group unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of its equity interest and rights in Jian Qiao Investment to Gench WFOE for the purpose of securing the performance of the contractual obligations of our PRC Affiliated Entities and the Registered Shareholders under the Contractual Arrangements;

(6) a shareholders' rights entrustment agreement dated December 11, 2018 and entered into by and among the Registered Shareholders, the School Sponsors and Gench WFOE, pursuant to which (i) each of the Registered Shareholders irrevocably authorized and entrusted Gench WFOE to exercise all his rights as the shareholder of Jian Qiao Group to the extent permitted by the PRC laws; and (ii) Jian Qiao Group irrevocably authorized and entrusted Gench WFOE to exercise all its rights as the shareholder of Jian Qiao Investment to the extent permitted by the PRC laws;

(7) a shareholder's power of attorney executed by Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Chen Zhiyong, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Zhou Tianming, Mr. Bao Jianming, Mr. Wang Hualing, Mr. Chen Minghai, Mr. Wang Chengguang, Mr. Chen Shengcai, Mr. Wang Xuangui and Mr. Zheng Juxing dated December 11, 2018 appointing Gench WFOE as their appointee to exercise all their shareholders' rights in Jian Qiao Group;

(8) a shareholder's power of attorney executed by Jian Qiao Group dated December 11, 2018 appointing Gench WFOE as its appointee to exercise all its shareholder's rights in Jian Qiao Investment;

(9) a school sponsors' and directors' rights entrustment agreement dated December 11, 2018 and entered into by and among the School Sponsors, the school directors of our University (being Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, Mr. Chen Zhiyong, Mr. Huang Qingyun, Mr. Zhang Jiayu, Ms. Jiang Weiyi and Mr. Zhou Jianer), (together, the "**School Directors**"), our University, and Gench WFOE, pursuant to which (i) each of the School Sponsors irrevocably authorized and entrusted Gench WFOE to exercise all its rights as the school sponsor of our University to the extent permitted by the PRC laws; and (ii) each of the School Directors irrevocably authorized and entrusted Gench WFOE to exercise all his rights as the school director of our University to the extent permitted by the PRC laws;

(10) a school sponsor's power of attorney executed by Jian Qiao Group dated December 11, 2018 appointing Gench WFOE as its appointee to exercise all its school sponsor's rights in our University;

(11) a school sponsor's power of attorney executed by Jian Qiao Investment dated December 11, 2018 appointing Gench WFOE as its appointee to exercise all its school sponsor's rights in our University;

(12) a directors' power of attorney executed by Mr. Zhou Xingzeng (周星增), Mr. Zheng Xiangzhan (鄭祥展), Mr. Shi Yinjie (施銀節), Mr. Chen Zhiyong (陳智勇), Mr. Huang Qingyun (黃清雲) and Mr. Zhang Jiayu (張家鈺) dated December 11, 2018 appointing Gench WFOE as their appointee to exercise all their director's rights in our University;

(13) a directors' power of attorney executed by Ms. Jiang Weiyi (蔣威宜) and Mr. Zhou Jianer (周健兒) dated December 11, 2018 appointing Gench WFOE as their appointee to exercise all their directors' rights in our University;

(14) a undertaking dated December 11, 2018 executed by Ms. Huang Xiaomei, the spouse of Mr. Zhou, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Zhou;

(15) a undertaking dated December 11, 2018 executed by Ms. Huang Liqin, the spouse of Mr. Zheng Xiangzhan, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Zheng Xiangzhan;

(16) a undertaking dated December 11, 2018 executed by Ms. Shi Zhiwei, the spouse of Mr. Shi Yinjie, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Shi Yinjie;

(17) a undertaking dated December 11, 2018 executed by Ms. Liu Shujun, the spouse of Mr. Chen Shengfang, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Chen Shengfang;

(18) a undertaking dated December 11, 2018 executed by Ms. Lin Ju, the spouse of Mr. Bao Jianmin, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Bao Jianmin;

(19) a undertaking dated December 11, 2018 executed by Ms. Lu Landi, the spouse of Mr. Wang Chengguang, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Wang Chengguang;

(20) a undertaking dated December 11, 2018 executed by Ms. Weng Yuying, the spouse of Mr. Chen Shengcai, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Chen Shengcai;

(21) a undertaking dated December 11, 2018 executed by Ms. Dai Xuewei, the spouse of Mr. Chen Minghai, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Chen Minghai;

(22) a undertaking dated December 11, 2018 executed by Ms. Shen Zhiyan, the spouse of Mr. Wang Hualin, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Wang Hualin;

(23) a undertaking dated December 11, 2018 executed by Ms. Zhou Xiuying, the spouse of Mr. Zheng Juxing, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Zheng Juxing;

(24) a undertaking dated December 11, 2018 executed by Ms. You Manyun, the spouse of Mr. Chen Zhiyong, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Chen Zhiyong;

(25) a undertaking dated December 11, 2018 executed by Ms. Lyu Xiuqin, the spouse of Mr. Jin Yinkuan, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Jin Yinkuan;

(26) a undertaking dated December 11, 2018 executed by Ms. Zhou Peiping, the spouse of Mr. Zhao Donghui, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Zhao Donghui;

(27) a undertaking dated December 11, 2018 executed by Ms. Wan Zhifang, the spouse of Mr. Zhou Tianming, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Zhou Tianming;

(28) a undertaking dated December 11, 2018 executed by Ms. Huang Chunlan, the spouse of Mr. Wang Xuangui, in favor of Gench WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Wang Xuangui;

(29) the Deed of Indemnity;

(30) the Deed of Non-competition;

(31) a cornerstone investment agreement dated December 27, 2019 entered into by and among our Company, Xiamen ITG Education Group Co., Ltd., Macquarie Capital Limited and Haitong International Securities Company Limited, pursuant to which Xiamen ITG Education Group Co., Ltd. agreed to subscribe for our Shares in an aggregate amount of US$20 million at the Offer Price;

(32) a cornerstone investment agreement dated December 27, 2019 entered into by and among our Company, Pingyang Jihe Tuoli Equity Investment Management Center (Limited Partnership) (平陽幾何拓力股權投資管理中心(有限合夥)) and Macquarie Capital Limited, pursuant to which Pingyang Jihe Tuoli Equity Investment Management Center (Limited Partnership) agreed to subscribe for our Shares in an aggregate amount of HK$28 million at the Offer Price;

(33) a cornerstone investment agreement dated December 27, 2019 entered into by and among our Company, Nantong Mlily Equity Investment Co., Ltd. (南通夢百合股權投資有限公司), Macquarie Capital Limited and Haitong International Securities Company Limited, pursuant to which Nantong Mlily Equity Investment Co., Ltd. agreed to subscribe for our Shares in an aggregate amount of RMB28.5 million at the Offer Price;

(34) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered seven 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.	GENCH 建桥	Jian Qiao Group	PRC	41	1794539	June 20, 2022
2.		Jian Qiao Group	PRC	35	10932310	September 6, 2023
3.	建桥	Jian Qiao Group	PRC	35	10932317	September 6, 2023
4.	GENCH	Jian Qiao Group	PRC	35	10932337	September 6, 2023
5.		Jian Qiao Group	PRC	41	10932477	September 6, 2023
6.	建桥	Jian Qiao Group	PRC	41	10932425	September 6, 2023
7.	GENCH	Jian Qiao Group	PRC	41	10932413	August 20, 2023

Domain Names

As at the Latest Practicable Date, we have registered the following domain names:

Registrant	Domain name	Date of registration	Expiration date
Jian Qiao Group	gench.cn	November 27, 2003	November 27, 2026
Our Company	genchedugroup.com	October 8, 2018	October 8, 2028
our University	gench.edu.cn	June 25, 2004	N/A
our University	gench.com.cn	October 11, 2000	October 11, 2024

3. Further information about our PRC establishments

Gench WFOE

(i)	nature of the company:	limited liability company (wholly foreign owned enterprise)
(ii)	incorporation date:	October 31, 2018
(iii)	term of business operation:	October 31, 2018 to October 30, 2068
(iv)	registered capital:	RMB10 million
(v)	paid-up capital:	RMB0 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	educational technology, computer technology, information technology, computer network technology, technology development in the field of electronic technology, technical consulting, technical services, technology transfer, marketing planning, cultural and artistic communication activities planning, corporate image planning, business information consulting (except financial Business), business management consulting, conference services (projects required to be approved under the laws must obtain prior approval from the relevant authority)

Our University

(i)	nature of the company:	private non-enterprise unit
(ii)	incorporation date:	June 28, 2000
(iii)	term of business operation:	July 31, 2017 to August 31, 2021
(iv)	start-up capital:	RMB50 million
(v)	paid-up capital:	RMB710 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	undergraduate education

Jian Qiao Group

(i)	nature of the entity:	limited liability company
(ii)	establishment date:	November 7, 2000
(iii)	term of business operation:	November 7, 2000 to November 6, 2050
(iv)	registered capital:	RMB175 million
(v)	paid-up capital:	RMB175 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	education investment, industry investment, supporting management service, domestic trade (unless otherwise specifically stipulated by government) (projects required to be approved under the laws must obtain prior approval from the relevant authority)

Jian Qiao Investment

(i)	nature of the entity:	limited liability company
(ii)	establishment date:	August 3, 1999
(iii)	term of business operation:	August 3, 1999 to August 2, 2019
(iv)	registered capital:	RMB37.5 million
(v)	paid-up capital:	RMB37.5 million
(vi)	attributable interest of the company:	100%
(vii)	scope of business:	project investment, sale of stationery and teaching materials (projects required to be approved under the laws must obtain prior approval from the relevant authority)

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 three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our non-executive 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 served by the non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

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.

The current basic annual salaries of our Directors are as follows:

Mr. Zhou Xingzeng	RMB900,000
Mr. Zheng Xiangzhan	RMB800,000
Mr. Shi Yinjie	RMB450,000
Mr. Zhao Donghui	HKD240,000
Mr. Chen Baizhu	HKD240,000
Mr. Hu Rongen	HKD240,000
Ms. Liu Tao	HKD240,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB2,394,000, RMB2,359,000, RMB2,374,000 and RMB1,321,000, respectively.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 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 will be approximately RMB2,531,740.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following the Capitalization Issue and the Global Offering

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 Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he 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 Issuers contained in the Listing Rules, will be as follows:

(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. Zhou	Interest in a controlled corporation(2)	105,450,000	26.36%
Mr. Zheng Xiangzhan	Interest in a controlled corporation(3)	30,600,000	7.65%
Mr. Zhao Donghui	Interest in a controlled corporation(4)	30,000,000	7.50%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Mr. Zhou is the sole shareholder of She De Limited and Gan En Limited and he is therefore deemed to be interested in the Shares held by She De Limited and Gan En Limited upon the Listing.

(3) Mr. Zheng Xiangzhan is the sole shareholder of Ze Ren Limited and he is therefore deemed to be interested in the Shares held by Ze Ren Limited upon the Listing.

(4) Mr. Zhao Donghui is the sole shareholder of Ai Xin Limited and he is therefore deemed to be interested in the Shares held by Ai Xin Limited upon the Listing.

(ii) Long position in associated corporation

Jian Qiao Group

Name	Capacity/ Nature of interest	Immediately after the Global Offering and the Capitalization Issue — Amount of registered share capital	Immediately after the Global Offering and the Capitalization Issue — Approximate percentage of shareholding
		(RMB)	
Mr. Zhou	Beneficial owner	61,510,000	35.15%
Mr. Zheng Xiangzhan	Beneficial owner	17,850,000	10.20%
Mr. Zhao Donghui	Beneficial owner	17,500,000	10.00%

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Long position in our Company

Name	Capacity/ Nature of interest	Immediately after the Global Offering and the Capitalization Issue(1) — Number of Shares	Immediately after the Global Offering and the Capitalization Issue(1) — Approximate percentage of shareholding in our Company
She De Limited	Beneficial owner	66,000,000	16.50%
Gan En Limited	Beneficial owner	39,450,000	9.86%
Ze Ren Limited	Beneficial owner	30,600,000	7.65%
Ai Xin Limited	Beneficial owner	30,000,000	7.50%

Note:

(1) Assuming the Over-allotment Option is not exercised.

2. Disclaimers

Save as disclosed in this Appendix:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix:

  (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholders of our Company passed on December 19, 2019 and adopted by a resolution of the Board on December 19, 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

The 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 ("Employee");

(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 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 40,000,000 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, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(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 share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

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, cancelled 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$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the 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 the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as 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 the 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 this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the 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 permanently 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 the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her 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 the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) 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 our 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;

(iv) 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 dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her 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 or her Option.

(v) 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 dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) 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 (as defined in the Listing Rules) 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 this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

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 the 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 this Share Option Scheme with respect to the exercise of the Option;

(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 the 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, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the 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 the 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 the 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 the 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. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(a) the grantee commits or permits or attempts to commit or permit a breach of 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 the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the 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.

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

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting:

(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 the Board pursuant to the Share Option Scheme to administer the day-to-day running of the 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 40,000,000 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) the 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 40,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders 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, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 (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 June 30, 2019 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business – Legal Proceedings and Compliance" in this prospectus.

Under the Deed of Indemnity, the Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any loss, cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from any unidentified or unrecorded liabilities of the predecessor companies (i.e. Jian Qiao Investment and Jian Qiao Group) incurred prior to the Demerger as disclosed in the section headed "History and Corporate Structure – History of our School Sponsors – (3) Demerger of our School Sponsors" in this prospectus.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately US$5,725 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$1 million to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since June 30, 2019 (being the date to which our latest audited consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this Appendix:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
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
Commerce & Finance Law Offices	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Cushman & Wakefield 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, 19th Floor, Edinburgh Tower, 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 from Ernst & Young, the texts of which is set out in Appendix I to this prospectus;

(3) the audited financial statements of our Group for each of the year ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019;

(4) the report received from Ernst & Young on unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(5) the letter, summary of values and valuation certificates relating to our property interests prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;

(6) 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;

(7) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors – 1. Directors' service contracts and letters of appointment" in Appendix V to this prospectus;

(8) the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V to this prospectus;

(9) the PRC legal opinions prepared by Commerce & Finance Law Offices, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(11) the industry report prepared by Frost & Sullivan;

(12) the Cayman Companies Law; and

(13) the rules of the Share Option Scheme.

SHANGHAI GENCH EDUCATION GROUP LIMITED
上海建橋教育集團有限公司