思考乐教育

思考樂教育集團
Scholar Education Group

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1769

GLOBAL OFFERING

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CLSA A CITIC Securities Company

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

光大新鴻基 EVERBRIGHT SUN HUNG KAI

Joint Lead Manager

首控證券 FIRST CAPITAL SECURITIES LIMITED

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

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GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**124,900,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**12,490,000 Shares (including 1,249,000 Employee Reserved Shares) (subject to adjustment)**
Number of International Placing Shares	**:**	**112,410,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price (subject to a Downward Offer Price Adjustment)	**:**	**HK$3.64 to HK$4.68 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) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$3.28 per Offer Share)**
Nominal value	**:**	**US$0.001 per Share**
Stock code	**:**	**1769**

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首控證券 FIRST CAPITAL SECURITIES LIMITED

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Monday, June 17, 2019 or such later time as may be agreed between the parties, but in any event, no later than Wednesday, June 19, 2019. **If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Wednesday, June 19, 2019, the Global Offering will not proceed and will lapse immediately.** The Offer Price will be not more than HK$4.68 per Share and is expected to be not less than HK$3.64 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$4.68 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$4.68. **The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.skledu.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, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their 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 or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

June 12, 2019

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time for lodging **PINK** application forms	12:00 noon on Saturday, June 15, 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 Monday, June 17, 2019
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Monday, June 17, 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 3)*	12:00 noon on Monday, June 17, 2019
Latest time to complete payments for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, June 17, 2019
Application lists close *(note 2)*	12:00 noon on Monday, June 17, 2019
Expected Price Determination Date *(note 6)*	Monday, June 17, 2019
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed "Structure of the Global Offering — Pricing — Determination of Offer Price") on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.skledu.com** on or before	Thursday, June 20, 2019

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 Employee Preferential Offering, and the basis of allocation of the Hong Kong Offer Shares and the Employee Preferential Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and at the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.skledu.com** on or before *(note 7)*	Thursday, June 20, 2019
Results of allocations in the Hong Kong Public Offering and the Employee Preferential 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 and Employee Reserved Shares — Publication of results") from	Thursday, June 20, 2019
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID function"	Thursday, June 20, 2019
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and the Employee Preferential Offering on or before *(notes 5 & 8)*	Thursday, June 20, 2019
Despatch of White Form e-Refund payment instructions/refund cheques on or before *(notes 7, 8, 9, & 11)*	Thursday, June 20, 2019
Dealings in Shares on the Main Board of the Stock Exchange to commence on	9:00 a.m. on Friday, June 21, 2019

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 a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 17, 2019, 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 and Employee Reserved Shares — Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Monday, June 17, 2019, 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 and Employee Reserved Shares — How to apply by giving electronic application instructions to HKSCC" 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 Friday, June 21, 2019, 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 Monday, June 17, 2019 but in any event, the expected time for determination of the Offer Price will not be later than Wednesday, June 19, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by Wednesday, June 19, 2019, 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 Center, 183 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Thursday, June 20, 2019. Applicants being individuals who apply for 1,000,000 Hong Kong Offer Shares or more and opt 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 opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, 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 and Employee Reserved 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 and Employee Reserved 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 authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the 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 the prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

Among the top five K-12 after-school education service providers in Guangdong province as measured by revenue for 2018, we are the fastest-growing based on the CAGR of revenue from 2015 to 2018, according to the F&S Report. We ranked fourth in terms of revenue for 2018 among K-12 after-school education service providers in Guangdong province with a market share of approximately 0.9%, according to the F&S Report. We are also the second largest K-12 after-school education service provider in Shenzhen as measured by revenue for 2018, with a market share of approximately 2.5%, according to the F&S Report. We are based in Shenzhen with operations extending to the Guangdong-Hong Kong-Macau Greater Bay Area and Fujian province. As of the Latest Practicable Date, we operated 61 learning centers across five cities in Guangdong and Fujian provinces.

We offer a comprehensive suite of after-school education services through our academic preparation program and early primary education program. Our academic preparation program is delivered under our "Sheng Xue" (升學) brand and offers classes to students in Grade One through Grade 12 in school academic subjects with a focus on helping students improve their school academic performance and preparing them for entrance exams for middle school, high school and universities. Our early primary education program is delivered under our "Le Xue" (樂學) brand and offers childhood education courses and hobby courses such as languages and performing arts to students from Grade One to Grade Three. All of our classes are delivered in small class settings typically consisting of no more than 20 students per class.

In addition to helping students improve their academic performance, we are committed to stimulating students' interest in learning, developing their learning habits and integrating character education into our course offerings. Our education quality to a large extent is supported by our innovative teaching methods, course materials and information management systems. We rely on our highly qualified and dedicated teaching team and strong research and development capabilities and commitment to ensure the quality of our teaching.

We experienced significant growth during the Track Record Period. The number of our learning centers increased from 28 as of December 31, 2016 to 49 as of December 31, 2017, and further to 54 as of December 31, 2018. Our total student enrollments grew from approximately 97,046 for the year ended December 31, 2016 to 145,833 for the year ended December 31, 2017, and further increased to 241,203 for the year ended December 31, 2018, representing a CAGR of 57.7%. The total tutoring hours we delivered increased from 2,737,030 for the year ended

December 31, 2016 to 4,616,179 for the year ended December 31, 2017, and further increased to 6,346,537 for the year ended December 31, 2018, representing a CAGR of 52.2%. Our revenue generated from continuing operations increased from RMB170.8 million for the year ended December 31, 2016 to RMB375.8 million for the year ended December 31, 2017, and further increased to RMB493.1 million for the year ended December 31, 2018. Our gross profit increased from RMB56.3 million in 2016 to RMB123.5 million in 2017, and further to RMB186.7 million for the year ended December 31, 2018.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors in the future: (i) we are the fastest-growing among the top five K-12 after-school education service providers in Guangdong province; (ii) our advanced educational philosophy and well-recognized brand help to ensure a strong and stable student pipeline; (iii) our rich and comprehensive service offerings are tailored to fundamental education in China and serve the full spectrum of K-12 student groups; (iv) we have a high-quality teaching team supported by well-developed training and incentive systems; (v) our continuous efforts and increasing investment in research and development have powered our innovation in teaching methods, service offerings and information management systems; and (vi) we have an experienced and entrepreneurial management team and our substantial Shareholder has strong synergy with us.

OUR BUSINESS STRATEGIES

Our goal is to maintain and strengthen our established leading position in Guangdong's K-12 after-school education sector. We intend to pursue the following strategies to achieve our goal and further grow our business: (i) increase our penetration of the Shenzhen market and expand our geographic coverage in the Guangdong-Hong Kong-Macau Greater Bay Area; (ii) continue to optimize and diversify our service offerings and develop applications and digital materials; (iii) further develop and strengthen our support services such as admission guidance; (iv) continue to attract and retain talented teachers and improve their teaching skills and productivity; and (v) optimize the operations and management of our learning center network to enhance our operational efficiency.

SUMMARY OF BUSINESS OPERATIONAL DATA

The following table sets forth a breakdown of our revenue by type of education services for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Academic Preparation Program	166,737	97.6	360,135	95.8	475,677	96.5
Early Primary Education Program	4,020	2.4	15,663	4.2	17,438	3.5
Total	**170,757**	**100.0**	**375,798**	**100.0**	**493,115**	**100.0**

The significant growth of our revenue during the Track Record Period was primarily driven by addition of new learning centers. As the geographic area and population base each learning center serves is generally limited, after a learning center finishes ramping-up stage and achieves its expected utilization rate, its same center growth rate generally tends to level off. We believe that as we are generally able to complete the ramp up stage and achieve our expected utilization rate relatively quickly compared with our peers, our same center growth rate during the Track Record Period was lower than that of our peers, which in turn resulted in a lower same center growth compared to our peers in the market.

The following table sets forth the revenue, student enrollments, aggregate tutoring hours delivered, average tutoring hours delivered per student enrollment, number of students, average revenue per student and average number of enrollments per student for our regular courses during the Track Record Period based on our internal records:

Year ended December 31,

2016

	Revenue (RMB'000)	Student enrollments[3]	Aggregate tutoring hours delivered[4]	Average tutoring hours delivered per student enrollment	Number of students[5]	Average revenue per student (RMB)	Average number of enrollment per student
Academic Preparation Program[1]							
Primary school courses	77,914	51,767	1,348,790	26.1	16,800	4,838	3.1
Middle school courses	68,108	34,679	1,098,184	31.7	11,902	5,722	2.9
High school courses	20,512	8,121	226,544	27.9	2,466	8,318	3.3
Subtotal	166,534	94,567	2,673,518	28.3	31,168	5,343	3.0
Early primary education program[2]	3,999	2,479	63,215	25.5	1,093	3,659	2.3
Total	170,533	97,046	2,737,030	28.2	32,261	5,286	3.0

2017

	Revenue (RMB'000)	Student enrollments[3]	Aggregate tutoring hours delivered[4]	Average tutoring hours delivered per student enrollment	Number of students[5]	Average revenue per student (RMB)	Average number of enrollment per student
Academic Preparation Program[1]							
Primary school courses	157,784	70,591	2,162,646	30.6	30,525	5,169	2.3
Middle school courses	149,776	54,287	1,895,555	34.9	24,131	6,207	2.2
High school courses	44,631	13,847	365,909	26.4	5,370	8,311	2.6
Subtotal	352,191	138,725	4,424,110	31.9	60,026	5,867	2.3
Early primary education program[2]	15,044	7,108	192,069	27.0	3,284	4,581	2.2
Total	367,235	145,833	4,616,179	31.7	63,310	5,801	2.3

2018

	Revenue (RMB'000)	Student enrollments[3]	Aggregate tutoring hours delivered[4]	Average tutoring hours delivered per student enrollment	Number of students[5]	Average revenue per student (RMB)	Average number of enrollment per student
Academic Preparation Program[1]							
Primary school courses	204,051	109,281	2,785,236	25.5	37,813	5,396	2.9
Middle school courses	216,125	101,007	2,850,636	28.2	35,317	6,120	2.9
High school courses	44,593	21,004	492,737	23.5	6,789	6,568	3.1
Subtotal	464,769	231,292	6,128,609	26.5	79,919	5,816	2.9
Early primary education program[2]	16,611	9,911	217,928	22.0	3,839	4,327	2.6
Total	481,380	241,203	6,346,537	26.3	83,758	5,747	2.9

Notes:

(1) Our primary school courses target students in Grade One to Grade Six, our middle school courses target students in Grade Seven to Grade Nine, and our high school courses target students in Grade 10 to Grade 12.

(2) Our early primary education program mainly targets students in Grade One to Grade Three.

(3) As our students may register for more than one term of courses or enroll in tutoring courses of more than one subject, our student enrollments represent the aggregate number of courses that each student has registered for the years ended December 31, 2016, 2017 and 2018.

(4) Aggregate tutoring hours represent the actual tutoring hours of classes attended by our students during the corresponding periods.

(5) During the Track Record Period, certain students of our academic preparation program may enroll in courses of two different grades. For example, some Grade Six students may enroll in both Grade Six courses for primary school and Grade Seven courses for middle school to prepare themselves for middle school studies. In this case, we count such students in calculating the number of students of both primary school courses and middle school courses.

(6) Information in the above table only relates to our regular courses, including three types of courses under the academic preparation program as well as our early primary education program, and does not take into account our trial courses.

Our average tutoring hours delivered per student enrollment decreased from 2017 to 2018, primarily because we ceased to schedule classes after 8:30 p.m. in order to comply with the State Council Opinions 80 after its promulgation and we changed the tutoring hours per class for certain courses from 3 hours to 2.5 hours per class in 2018.

Our average revenue per student in 2018 was lower than that in 2017, primarily because we expanded our network to other cities, such as Foshan and Xiamen in 2018, and the average pricing level for education services in these cities was lower than that in Shenzhen.

The following table sets forth the average tuition fee per tutoring hour by courses and programs for the periods indicated based on our internal records:

	Year ended December 31,		
	2016	2017	2018
		RMB/hour	
Academic preparation program			
Primary school courses	57.8	74.7	75.1
Middle school courses	62.1	80.8	77.4
High school courses	90.6	123.7	92.9
Overall average	62.4	81.4	77.6
Early primary education program	63.3	81.6	80.0

From 2016 to 2017, the average tuition fee per tutoring hour for primary school, middle school and high school courses increased mainly because the tuition discount percentage we offered to students in 2016 was higher than the discount percentage we offered in 2017. The average tuition fee per tutoring hour for the middle school courses and the high school courses deceased from 2017 to 2018 primarily because (i) we opened new learning centers in new geographic locations, such as Dongguan, Foshan and Xiamen, where we offered tuition discounts to students at the early development stage of such learning centers; and (ii) the tuition fees we charged in such learning centers are in line with the local level, which are generally lower than the level in Shenzhen.

The increase in the average tuition fee per tutoring hour for early primary education program from 2016 to 2017 was because the tuition discount percentage we offered to students in 2016 was higher than the discount percentage we offered in 2017. The decrease in the average tuition fee per tutoring hour for our early primary education program in 2018 was because we increased tuition discount percentage in 2018 to attract more students.

CAPACITY AND UTILIZATION OF OUR LEARNING CENTERS

The following table sets forth the capacity and utilization rate of our learning centers for the periods indicated:

Cities	Year Ended December 31,											
	2016				2017				2018			
	Number of learning centers	Planned enrollment	Number of students enrolled	Capacity utilization rate(1)	Number of learning centers	Planned enrollment	Number of students enrolled	Capacity utilization rate(1)	Number of learning centers	Planned enrollment	Number of students enrolled	Capacity utilization rate(1)
Shenzhen	24	218,901	151,747	69.3%	39	498,542	322,054	64.6%	40	389,640	291,167	74.7%
Dongguan	—	—	—	—	6	72,309	45,251	62.6%	8	118,172	78,935	66.8%
Foshan	—	—	—	—	—	—	—	—	3	41,776	24,505	58.7%
Xiamen	4	8,546	4,122	48.2%	4	37,467	22,816	60.9%	3	22,497	15,156	67.4%
Overall capacity utilization rate	28	227,447	155,869	68.5%	49	608,318	390,121	64.1%	54	572,085	409,763	71.6%

Note:

(1) The capacity utilization rate is calculated as the total student enrollment in both regular courses and trial courses at each of our learning centers divided by its planned enrollment, which in turn is derived by the aggregate planned number of student enrollments for the available courses calculated based on (a) the number of students each classroom can accommodate at the same time based on the number of available seats, and (b) the number of classes scheduled for the classroom.

The utilization rate of the learning centers in Shenzhen in 2017 was lower than the utilization rate in 2016 and 2018 primarily because the newly opened learning centers in Shenzhen in 2017 had a relatively low utilization rate in their early stage of development. We recorded an increase in capacity utilization rate in 2018 as the operations of the learning centers opened in 2017 began to mature in 2018.

The utilization rate of the learning centers in Dongguan increased as the operations of the learning centers opened in 2017 began to mature in 2018.

The learning centers in Xiamen recorded a relatively low utilization rate in 2016 primarily because such learning centers were in their early development stage. The utilization rate increased in 2017 and 2018 as (i) we did not open new learning centers, which are expected to record relatively low utilization rate in early development stage, in Xiamen in 2017 and 2018; and (ii) the operations of the existing learning centers in Xiamen began to mature in 2017 and 2018.

Our planned enrollment for Shenzhen decreased in 2018, which was attributable to the decrease in planned enrollment for trial courses as we generally offered more trial courses at our new learning centers and we opened more new learning centers in 2017 compared with 2018. The decrease in planned enrollment for Xiamen in 2018 was due to our closure of one learning center in Xiamen. For details, see "Business — Our Network" in this prospectus.

OUR TEACHERS

As of the Latest Practicable Date, we had a total of 1,118 full-time teachers. We believe our teachers are critical to maintaining the quality of our services and to promoting our brand and reputation. We believe we have a team of dedicated and highly qualified teachers with a strong passion for education, who are crucial to our success. We are committed to maintaining a consistent and high teaching quality through our selective teacher hiring process, our emphasis on continued teacher training and rigorous evaluation, as well as performance-based compensation which we believe is competitive and career advancement opportunities.

OUR STUDENTS

We primarily target students from Grade One to Grade 12 of the K-12 system. We recruit students primarily through word-of-mouth referrals, trial courses, parent seminars, and advertisement through the Internet and traditional media. We experienced significant growth in student enrollments during the Track Record Period. Our student enrollments grew from approximately 97,046 for the year ended December 31, 2016 to 145,833 for the year ended December 31, 2017, and further increased to 241,203 for the year ended December 31, 2018, representing a CAGR of 57.7%.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. For the years ended December 31, 2016, 2017 and 2018, we did not have any single customer who accounted for more than 5% of our revenue for each of the period.

Our suppliers primarily comprise advertising service provider, construction service provider, rental service provider and teaching materials provider. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB14.4 million, RMB30.6 million and RMB23.7 million, respectively, accounting for 25.9%, 19.6% and 19.6% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB3.4 million, RMB10.6 million and RMB5.1 million, accounting for 6.1%, 6.8% and 4.2%, respectively, of our total purchases for the relevant periods.

SHAREHOLDERS AND CORPORATE STRUCTURE

Our Controlling Shareholders

Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial entered into a concert party agreement dated January 13, 2019 to confirm that they have acted in concert in the control, management and operation of our Group since they became interested in, and possessed voting rights, whether directly or indirectly, in our Company and will continue to act in concert until the termination of the concert party agreement.

Immediately after completion of the Capitalization Issue and the Global Offering, Sky Noon and Magnificent Industrial will together directly hold an aggregate of approximately 63.36% of the issued share capital 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). Sky Noon is ultimately controlled by Mr. Chen Qiyuan through Yu Xi International. Accordingly, Mr. Chen Qiyuan, through Yu Xi International, will control approximately 38.52% of the issued share capital of the 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). Therefore, Mr. Chen Qiyuan, Yu Xi International, Sky Noon and Magnificent Industrial are considered as a group of our Controlling Shareholders. For details, see "Relationship with Controlling Shareholders".

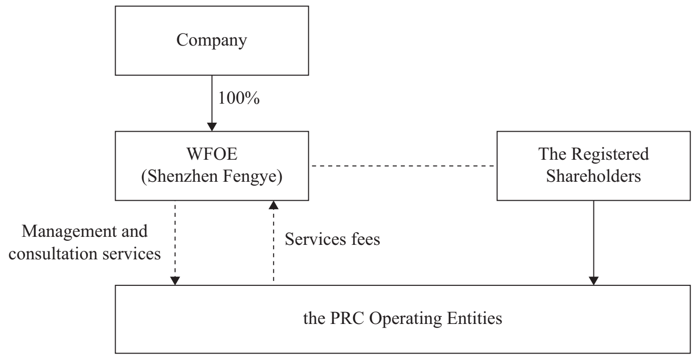
Pre-IPO Investment

Pursuant to the Pre-IPO Investment Agreement, CREG subscribed for and purchased a total of 8,074.65 shares of US$1.00 in our Company. Upon the Listing, CREG will hold 64,616,000 Shares, representing approximately 11.63% of the total issued share capital 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 any options which may be granted under the Share Option Scheme). As of the Latest Practicable Date, an aggregate of approximately RMB19.1 million of proceeds from the Pre-IPO Investment has been utilized as the working capital of our Group and the payment of expenses in relation to the Listing. Please refer to the section headed "History and Corporate Structure — Pre-IPO Investment" in this prospectus for further details.

Structured Contracts

We currently conduct our K-12 after-school education business through our PRC Operating Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the K-12 education industry in the PRC. We do not hold any equity interest in our PRC Operating Entities in the PRC. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. See "Structured Contracts" in this prospectus for further details.

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



Notes:

"⟶" denotes direct legal and beneficial ownership in the equity interest.

"- - -▸" denotes contractual relationship.

See "Structured Contracts — Operation of the Structured Contracts" for details.

Our PRC Legal Advisor is of the opinion that the Structured Contracts are narrowly tailored to minimize the potential conflict with the relevant PRC Laws and Regulations.

Following the implementation of a variable interest entity structure with the execution of the Structured Contracts on January 13, 2019, we are subject to additional amounts of PRC value-added tax and surcharge. Our Directors consider that the additional amounts of PRC corporate income tax to which we are subject are insignificant, as both Shenzhen Fengye and most of our PRC Operating Entities are subject to PRC income tax at the same rate of 25%. If the Structured Contracts had been in effect during the Track Record Period, 25% of the net profit of our PRC Operating Entities in the form of private non-enterprise units and 10% of the net profit of our PRC Operating Entities in the form of limited liability companies would have been required to be retained for our PRC Operating Entities' working capital as the development fund and the companies' statutory surplus reserve. We estimate, based on the prevailing laws and regulations up to date, that in the worst case scenario our net profit would have decreased by approximately 6.7%, 6.7% and 6.7% for the years ended December 31, 2016, 2017 and 2018, respectively. However, such impact is estimated without taking into consideration of potential tax preferential policies, potential tax reductions with respect to factors such as the operational costs and expenses primarily comprising employee benefits, rental expenses and other operating-related expenses that were incurred by Shenzhen Fengye in the process of providing corporate and education management consulting services as well as technical and business support services, as such mitigating factors cannot be estimated accurately at this moment.

The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected. See "Structured Contracts" in this prospectus for further details. We strongly urge you to read "Risk Factors" in its entirety, including "Risk Factors — Risks Relating to Our Structured Contracts" for details of the risks relating to the Structured Contracts.

SUMMARY OF FINANCIAL INFORMATION

The following table presents a summary of our consolidated financial information for the years ended December 31, 2016, 2017 and 2018. You should read this summary together with the consolidated financial information contained in the Accountants' Report in Appendix I to this prospectus, including the relevant notes, and the information contained in "Financial Information".

Selected Items from Consolidated Statements of Profits or Loss and Other Comprehensive Income

	Year ended December 31		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Continuing operations			
Revenue	170,757	375,798	493,115
Cost of sales	(114,474)	(252,310)	(306,377)
Gross profit	56,283	123,488	186,738
Operating profit	13,791	44,223	85,745
Finance costs	(655)	(2,814)	(3,186)
Profit before income tax	13,136	41,409	82,559
Income tax expense	(2,760)	(5,730)	(13,085)
Profit for the year from continuing operations	10,376	35,679	69,474

Our revenue increased by 120.1% from RMB170.8 million for the year ended December 31, 2016 to RMB375.8 million for the year ended December 31, 2017, and further increased by 31.2% to RMB493.1 million for the year ended December 31, 2018, primarily due to expansion of our learning center network and increased utilization of new learning centers as a result of increased student enrollments and market demand for our services. Our cost of sales increased by 120.4% from RMB114.5 million for the year ended December 31, 2016 to RMB252.3 million for the year ended December 31, 2017, and further increased by 21.4% to RMB306.4 million for the year ended December 31, 2018, primarily due to increases in staff costs, rental expenses and depreciation and amortization expenses as a result of the expansion of our learning center network and increased student enrollments. As a result of the foregoing, our gross profit increased by 119.4% from RMB56.3 million for the year ended December 31, 2016 to RMB123.5 million for the year ended December 31, 2017, and further increased by 51.2% to RMB186.7 million for the year ended

December 31, 2018. For the years ended December 31, 2016, 2017 and 2018, our gross profit margin was 33.0%, 32.9% and 37.9%, respectively. See "Financial Information — Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" and "Financial Information — Period to Period Comparison of Results of Operations" in this prospectus for detailed discussions.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Profit for the year from continuing operations	10,376	35,679	69,474
Add:			
Listing expenses	—	—	14,381
Adjusted profit for the year from continuing operations(1)	10,376	35,679	83,855

Note:

(1) Adjusted profit for the year is derived by adding back the listing expenses we incurred in the year ended December 31, 2018 to profit for the year ended December 31, 2018. Adjusted profit for the year is not prepared in accordance with IFRS. The amounts included in the adjusted profit for the year calculation, however, are derived from amount included in the consolidated statements of profit or loss. We have presented adjusted profit for the year in this prospectus as we believe that adjusted profit for the year is a useful supplement to the consolidated statements of profit or loss because it enables us to measure our profitability without taking into consideration of the one-off listing expenses. We believe adjusted profit for the year is a more accurate indication of our profitability and operating performance for the year ended December 31, 2018 and beyond. However, adjusted profit for the year should not be considered in isolation or construed as an alternative to net income or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with IFRS, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted profit for the year measure presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

Selected Items from Consolidated Statements of Financial Position

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Total current assets	101,560	217,811	274,555
Total current liabilities	(155,169)	(335,851)	(326,254)
Net current liabilities	(53,609)	(118,040)	(51,699)
Net assets	24,974	21,215	115,219

During the Track Record Period, we had net current liabilities of RMB53.6 million as of December 31, 2016, RMB118.0 million as of December 31, 2017 and RMB51.7 million as of December 31, 2018. Our net current liabilities increased from December 31, 2016 to December 31, 2017 primarily due to increases in contract liabilities and short-term borrowings. Our contract liabilities were the result of prepaid tuition from students, which increased in line with the increases in student enrollments and average tuition rates from December 31, 2016 to December 31, 2017. Our net current liabilities decreased to RMB51.7 million as of December 31, 2018 primarily due to decreases in contract liabilities primarily because we disposed of Shenzhen Unique and Shenzhen America during 2018 and we only collected no more than three months of advance payment of tuition following the promulgation of the State Council Opinions 80 in August 2018 while we had collected more months of advance payment in 2017, resulting in decreased contract liabilities in 2018 and decrease in short-term borrowing as we repaid certain of our bank borrowings in 2018. Going forward, we expect to improve our working capital position by utilizing the net proceeds from this Global Offering and reduce the amount of short-term loans in our total borrowings.

Despite the net current liabilities position, we recorded net cash generated from operating activities throughout the Track Record Period.

Our net assets decreased from RMB24.9 million as of December 31, 2016 to RMB21.2 million as of December 31, 2017, primarily due to the cash dividends of RMB29.7 million we paid to our shareholders in 2017, as partially offset by RMB25.9 million of net profit for 2017.

We recorded accumulated loss of RMB5.4 million as of January 1, 2016 primarily because we only had 16 learning centers as of December 31, 2015, among which seven were established during 2015 and not yet profitable. In addition, our marketing expenses were relatively high during this initial stage of our business operations while we were building our brand name and market share.

We have become profitable during the Track Record Period through expanding our learning center network, enhancing the quality of our tutoring services to attract students, streamlining our operations to improve efficiency, increasing the productivity of our teachers and the utilization rates of our classrooms, as well as taking other measures to control our costs and expenses.

Selected Items from Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Net cash flows generated from operating activities	106,852	173,881	113,996
Net cash flows used in investing activities	(172,289)	(150,866)	(85,360)
Net cash generated from/(used in) financing activities	64,724	(1,334)	(16,097)
Cash and cash equivalents at the beginning of the year	3,693	2,980	24,661
Cash and cash equivalents at the end of the year	2,980	24,661	37,200

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,		
	2016	2017	2018
Gross profit margin	33.0%	32.9%	37.9%
Net profit margin	6.1%	9.5%	14.1%
Current ratio	0.7	0.6	0.8
Net debt to equity ratio	167.6%	212.7%	4.8%
Gearing ratio	179.5%	328.9%	37.1%
Return on equity	105.5%	154.5%	101.8%
Return on assets	8.1%	11.7%	15.9%

Notes:

(1) Gross profit margin was calculated based on our gross profit for the respective year divided by our total revenue from continuing operations for the same year.

(2) Net profit margin was calculated based on our profit for the respective year divided by our total revenue from continuing operations for the same year.

(3) Current ratio was calculated based on our total current assets divided by our total current liabilities as of the end of the year.

(4) 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 divided by total equity at the end of the year.

(5) Gearing ratio was calculated based on our interest-bearing liabilities as of the respective dates divided by our total equity as of the same dates.

(6) Return on equity equals profit from continuing operations for the year divided by average total equity amounts as of the end of the year.

(7) Return on assets equals profit from continuing operations for the year divided by average total assets as of the end of the year.

Our gearing ratio decreased from 328.9% as of December 31, 2017 to 37.1% as of December 31, 2018 primarily because our total equity increased by RMB94.0 million, or 443.1%, as a result of the increase in our net profit and issue of new ordinary shares to CREG. In addition, our interest-bearing borrowings decreased by RMB27.0 million from December 31, 2017 to December 31, 2018 as we repaid some of our loans.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGES

On November 20, 2018, the General Office of the MOE (中華人民共和國教育部辦公廳), the General Office of the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局辦公廳) and the General Office of the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部辦公廳) jointly issued the Circular 10, which provides specific requirements for the local people's governments at all levels in the implementation of the State Council Opinions 80. See "Business — New Education Regulations" for details, Our Directors are of the view that these latest education regulations not have any material adverse impact on our business and results of 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 does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as investments under the Foreign Investment Law, and if future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding this, the Foreign Investment Law stipulates that foreign investment includes "*foreign investors invest 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 prescribed by the State Council may regard contractual arrangements as a way of foreign investment, and then whether our Structured Contracts will be recognized as foreign investment, whether our Structured Contracts will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Structured Contracts will be handled are uncertain. Therefore, there is no guarantee that our Structured Contracts and the business of our PRC Operating Entities will not be materially and adversely affected in the future. Please refer to the section headed "Risk Factors" in this prospectus on the impact and potential consequence of the Foreign Investment Law on our Structured Contracts. For further details of the Foreign Investment Law, please see "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus for more details.

Since December 31, 2018 and up to the date of this prospectus, our business generally experienced continued growth, which was in line with the past trends and our expectations. To best of our knowledge, there is no change to the overall economic and market condition in China or in the K-12 after-school education industry in which we operate that may have a material adverse effect to our business operations and financial position.

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our business, financial or operating conditions since December 31, 2018, being the period reported on in the Accountants' Report set out in Appendix I to this prospectus.

The following table sets forth the student enrollments, aggregate tutoring hours delivered by programs and average tutoring hours delivered per student enrollment from January 1, 2019 to the Latest Practicable Date based on our internal records:

	Student enrollments(5)	Aggregate tutoring hours delivered(6)	Average tutoring hours delivered per student enrollment
Academic Preparation Program			
Primary school courses(1)	61,249	1,254,554	20.5
Middle school courses(2)	62,675	1,410,411	22.5
High school courses(3)	12,848	229,879	17.9
Subtotal	136,772	2,894,843	21.2
Early primary education program(4)	3,825	68,119	17.8
Total	140,597	2,962,962	21.1

Notes:

(1) Our primary school courses target students in Grade One to Grade Six.

(2) Our middle school courses target students in Grade Seven to Grade Nine.

(3) Our high school courses target students in Grade 10 to Grade 12.

(4) Our early primary education program mainly targets students in Grade One to Grade Three.

(5) As our students usually register for more than one term of courses or enroll in tutoring courses of more than one subject, our student enrollment represent the aggregate number of courses that each student has registered from January 2019 to the Latest Practicable Date.

(6) Aggregate tutoring hours represent the actual tutoring hours of classes attended by our students during the corresponding periods.

From January 1, 2019 to the Latest Practicable Date, based on our internal records, our student enrollments were 140,597 and we delivered a total of 2,962,962 tutoring hours. As of the Latest Practicable Date, we operated 61 learning centers. We opened nine new learning centers in 2019, including one in Dongguan, six in Shenzhen and two in Huizhou, all of which were in operation as of the Latest Practicable Date. We closed one learning center in Shenzhen in February 2019 as we terminated the lease and integrated its operations to the other nearby learning center in

Shenzhen. We also closed one learning center in Xiamen in May 2019 as the leased property occupied by such learning center was unauthorized construction and we were unable to complete the fire safety inspections of this property.

LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering, assuming that the Over-allotment Option is not exercised) for the Global Offering were approximately RMB61.2 million. During the Track Record Period, we incurred approximately RMB14.4 million of listing expenses for the Global Offering, which was charged to the consolidated statements of profits or loss for the year ended December 31, 2018, as administrative expenses. We expect to incur additional listing expenses of RMB46.8 million in connection with the Global Offering, of which an estimated amount of RMB18.3 million is expected to be recognized as administrative expenses and the remaining amount of RMB28.5 million is expected to be recognized directly as a deduction from equity upon the Listing. 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.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$3.28 per Offer Share after Downward Offer Price Adjustment of approximately 10%	Based on an Offer Price of HK$3.64 per share	Based on an Offer Price of HK$4.68 per share
Market value of shares[(1)]	HK$1,822.7 million	HK$2,022.7 million	HK$2,600.7 million
Unaudited pro forma adjusted consolidated net tangible assets per share[(2)]	HK$0.88	HK$0.96	HK$1.19

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 555,700,000 Shares expected to be issued and outstanding following the completion of 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 555,700,000 Shares expected to be issued and outstanding 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 or under the Share Option Scheme.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$450.1 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$4.16 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 net proceeds from the offering of these additional Shares will be approximately HK$74.8 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$4.16 per Share.

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

- approximately 50.0%, or HK$225.1 million, is expected to be used primarily to expand our learning center network in the Guangdong-Hong Kong-Macau Greater Bay Area. In particular, we plan to open approximately 95 new learning centers spanning across a number of major cities in Guangdong and Fujian provinces. We plan to (i) use HK$50.0 million to open 21 new learning centers in 2019; (ii) use HK$80.0 million to open 34 new learning centers in 2020; and (iii) use HK$95.1 million to open 40 new learning centers in 2021. See "Business — Our Business Strategies — Increase our penetration of Shenzhen market and expand our geographic coverage in the Guangdong-Hong Kong-Macau Greater Bay Area";

- approximately 30.0%, or HK$135.0 million, is expected to be used primarily to improve our teaching quality, including, among others, (i) optimizing and diversifying our service offerings and developing digital materials; and (ii) investing in new technologies to develop advanced information technology platforms and mobile applications to facilitate our teaching process. See "Business — Our Business Strategies — Continue to optimize and diversify our service offering and develop applications and digital materials".

The following table sets forth the details on the amounts of proceeds expected to be used to optimize services offerings and invest in new technologies in the year indicated:

	Amount of proceeds to be used			
	2019	2020	2021	Total
	HK$ (million)	HK$ (million)	HK$ (million)	HK$ (million)
Optimizing and diversifying service offerings				
— Informationalization of course content and course materials	9.2	6.7	6.7	**22.6**
— Offering new courses of artificial intelligence	1.7	3.5	6.2	**11.4**
— Developing supplementary courses[1]	2.3	2.8	2.8	**7.9**
— Offering new courses of history and politics	2.3	3.3	—	**5.6**
— Hiring additional courses development staff	2.3	2.3	—	**4.6**
Developing digital materials				
— Procurement and improvement of digital platform	6.6	3.9	11.4	**21.9**
— Purchase of equipment and improvement of recording studios	2.3	5.1	5.7	**13.1**
— Hiring qualified talent	1.2	1.2	—	**2.4**
Investing in new technologies				
— Developing applications and service platforms	8.3	7.2	7.3	**22.8**
— Digitization of human resources, finance and business operation systems	6.3	8.5	7.9	**22.7**
Total	42.5	44.5	48.0	**135.0**

Note:

(1) Include, among others, primary school courses in connection with student concentration and mathematics-related reading comprehension, courses designed to cultivate habits and moral education courses.

- approximately 20.0%, or HK$90.0 million, is expected to be used primarily to renovate the facilities of our learning centers and purchase teaching equipment to improve our students' learning experience so as to further optimize the pricing of our classes and enhance our profitability. See "Business — Our Network" for details.

  The following table sets forth the details on the amounts of proceeds expected to be used to renovate facilities and purchase teaching equipment in the year indicated:

	Amount of proceeds to be used			
	2019	**2020**	**2021**	**Total**
	HK$ (million)	**HK$ (million)**	**HK$ (million)**	**HK$ (million)**
Renovating facilities	23.0	32.0	15.0	**70.0**
Purchasing teaching equipment	7.0	9.2	3.8	**20.0**
Total	30.0	41.2	18.8	**90.0**

See "Future Plans and Use of Proceeds" in this prospectus for further details.

DIVIDEND POLICY

We intend to adopt, after our Listing, a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deems relevant. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries, which are established in the PRC. Our subsidiaries in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board. During the Track Record Period, we paid cash dividends of nil, RMB29.7 million and RMB89.0 million to our shareholders, respectively, in the years ended December 31, 2016, 2017 and 2018.

RISK FACTORS

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. The main risks we face include, among others, the following: (i) if we are not able to continue to attract students to enroll in our courses, our business and prospects will be materially and adversely affected; (ii) we face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margin, loss of market share, departure of qualified employees and increased capital expenditures if we are unable to compete effectively; (iii) if we are not able to maintain and enhance our brand, our business and operating results may be harmed; (iv) we may not be able to maintain or increase our tuition rates; and (v) failure to adequately and promptly respond to changes in examination systems, admission standards, test materials and teaching methods in the PRC could render our courses and services less attractive to students. See "Risk Factors" in this prospectus for further details.

LEGAL PROCEEDINGS AND COMPLIANCE

We are subject to legal proceedings, investigations, claims and administrative penalties incidental to the conduct of our business from time to time. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material legal, arbitral or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our reputation, results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not commit any material non-compliance of the laws and regulations, and we did not experience any systemic non-compliance incidents, which taken as a whole, in the opinion of our Directors, are likely to have a material adverse effect on our business, financial condition or results of operations. See "Legal Proceedings and Compliance" for details.

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

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s), **PINK** 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 June 3, 2019 and effective upon the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Brilliant Faith"	Brilliant Faith Investment Company Limited (炫信投資有限公司), a company established under the laws of the BVI on December 29, 2017 and wholly-owned by Ms. Chen Meiqin, an Independent Third Party
"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
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 376,968,950 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 — 4A. Written resolutions of the then shareholders of our Company passed on June 10, 2019"
"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
"Chen Family Trust"	a discretionary trust established on May 14, 2019 by Mr. Chen Qiyuan as the settlor and J.P. Morgan Trust Company (Bahamas) Limited as the trustee for the benefits of Mr. Chen Qiyuan and his family members
"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
"Circular 10"	Notice on Improving the Specific Governance and Rectification Mechanisms of After-school Education Institutions (《關於健全校外培訓機構專項治理整改若干工作機制的通知》), which was jointly issued by the General Office of the MOE (中華人民共和國教育部辦公廳), the General Office of the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局辦公廳) and the General Office of the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部辦公廳) on November 20, 2018
"Circular 3"	Circular on Special Enforcement Campaign concerning After-school Education Institutions to Alleviate Extracurricular Burden on Students of Primary Schools and Middle Schools (關於切實減輕中小學生課外負擔開展校外培訓機構專項治理行動的通知), which was promulgated by the General Office of the MOE, together with three other government authorities on February 13, 2018
"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

"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
"Company" or "our Company"	Scholar Education Group (思考樂教育集團) (formerly known as China Yuanfang (Holding) Group Corporation (中国远方(控股)集团公司)), an exempted company incorporated in the Cayman Islands with limited liability on February 7, 2018. It is the listing vehicle of our Group
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to Mr. Chen Qiyuan, Yu Xi International, Sky Noon and Magnificent Industrial
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Reorganization"	the reorganization of the companies within our Group, pursuant to which our Company becomes the holding company of various entities, including equity-owned subsidiaries and contractually-controlled entities by virtue of the Structured Contracts
"CREG" or the "Pre-IPO Investor"	CRE Glory Company Limited (華創煜耀有限公司), a company incorporated under the laws of the Cayman Islands on November 3, 2017, which is wholly owned by CRE Alliance Fund I L.P., a Cayman exempted limited partnership, managed by CRE Alliance (Cayman) Limited as its general partner, a wholly-owned subsidiary of China Resources Enterprise Limited, which is ultimately wholly-owned by China Resources (Holdings) Company Limited, and one of our substantial Shareholders
"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 June 3, 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 June 3, 2019 entered into by our Controlling Shareholders in favor of our Company (for ourselves and our subsidiaries) regarding the non-competition undertaking
"Director(s)"	the director(s) of our Company
"Dongguan Scholar"	Dongguan Scholar Education and Culture Development Co., Ltd.* (東莞市思考樂教育文化發展有限公司), a company established under the laws of the PRC on January 23, 2017 and one of our PRC Operating Entities
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) which was adopted by the National People's Congress of the PRC on March 16, 2007, became effective on January 1, 2008, and subsequently amended on February 24, 2017 and December 29, 2018, as amended, supplemented or otherwise modified from time to time
"Education (Exemption) Order"	the Education (Exemption) Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Education Ordinance"	the Education Ordinance (Chapter 279 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Education Regulations"	the Education Regulations (Chapter 279A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Eligible Employee(s)"	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date
"Employee Preferential Offering"	the offer of up to 1,249,000 Hong Kong Offer Shares to the Eligible Employees as described in the paragraph headed "Employee Preferential Offering" under the section headed "Structure of the Global Offering" in this prospectus

"Employee Reserved Shares"	up to 1,249,000 Hong Kong Offer Shares (representing 10% of the Hong Kong Offer Shares available under the Hong Kong Public Offering) available in the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
"Equity Pledge Agreement"	the equity pledge agreement dated January 13, 2019 entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar
"Exclusive Call Option Agreement"	the exclusive call option agreement dated January 13, 2019 entered into among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar
"Exclusive Corporate Operation and Business Process Consultancy Service Agreement"	the exclusive corporate operation and business process consultancy service agreement dated January 13, 2019 entered into between Shenzhen Fengye and our PRC Operating Entities
"Exclusive Technical Service Agreement"	the exclusive technical service agreement dated January 13, 2019 entered into between Shenzhen Fengye and our PRC Operating Entities
"FIE"	foreign invested enterprise
"Foreign Investment Catalogue"	the Guidance Catalogue of Industries for Foreign Investment* (《外商投資產業指導目錄(2017修訂)》), which was promulgated jointly by the MOFCOM and 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) on June 28, 2017 and as amended from time to time
"Foreign Investment Law"	the Foreign Investment Law* (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 be effective on January 1, 2020
"Foshan Chancheng Center"	Foshan Chancheng Scholar Education Learning Center* (佛山市禪城區思考樂教育培訓中心), a private non-enterprise entity established under the laws of the PRC on January 15, 2019 and one of our PRC Operating Entities
"Foshan Scholar"	Foshan Scholar Culture Co., Ltd.* (佛山市思考樂文化有限公司), a company established under the laws of the PRC on December 25, 2017 and one of our PRC Operating Entities

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"F&S Report"	an independent market research report for the purpose of this prospectus prepared by Frost & Sullivan
"Fuzhou Scholar"	Fuzhou Scholar Education Consultancy Co., Ltd.* (福州市思考樂教育諮詢有限公司), a company established under the laws of the PRC on November 27, 2017 and a former subsidiary of Shenzhen Scholar. For details, please see "History and Corporate Structure — Corporate reorganization" in this prospectus
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company, its subsidiaries and our PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Structured Contracts) from time to time, or, where the context so requires in respect of the period before our Company became the holding company of the present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Guanglong Pentium"	Guanglong Pentium International Co., Limited* (廣隆奔騰國際有限公司), a company incorporated under the laws of Hong Kong on February 2, 2018 and a direct wholly-owned subsidiary of our Company

"Guangdong Plan"	Plan on Special Enforcement Campaign Concerning After-school Education Institutions to Alleviate Extracurricular Burden on Students of Primary Schools and Middle Schools of Guangdong Province (《廣東省教育廳等五部門關於切實減輕中小學生課外負擔開展校外培訓機構專項治理方案》), which was jointly issued by Education Department of Guangdong Province (廣東省教育廳), Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳), the Civil Affairs Department of Guangdong Province (廣東省民政廳), the Public Security Department of Guangdong (廣東省公安廳) and Administration for Industry and Commerce of Guangdong Province (廣東省工商行政管理局) to provide detailed implementation rules of Circular 3 in Guangdong on April 12, 2018
"Guangzhou Scholar"	Guangzhou Scholar Education Training Co., Ltd.* (廣州市思考樂教育培訓有限公司), a company established under the laws of the PRC on May 26, 2017 and a former subsidiary of Shenzhen Scholar. For details, please see "History and Corporate Structure — Corporate reorganization" in this prospectus
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKFRS(s)"	the Hong Kong Financial Reporting Standard(s)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 12,490,000 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 including the Employee Reserved Shares that are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering

"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 and for the avoidance of doubt, includes the Employee Preferential Offering
"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 June 10, 2019, relating to the Hong Kong Public Offering, entered into by our Company, our Controlling Shareholders, the Warranting Directors, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"Hongde Education"	Shenzhen Hongde Education Technology Investment Consulting LP* (深圳市弘德教育科技投資諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 12, 2017. For details of the interest of the limited partners of Hongde Education, please refer to "History and Corporate Structure — Group structure upon the Global Offering" in this prospectus
"Huizhou Scholar"	Huizhou Scholar Education Consultation Co., Ltd.* (惠州市思考樂教育諮詢有限公司), a company established under the laws of the PRC on November 23, 2017 and one of our PRC Operating Entities
"IFRSs"	the International Financial Reporting Standard(s)
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, as further described in the section headed "Structure of Global Offering"

"International Placing Share(s)"	the 112,410,000 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, the executive Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, on or about the Price Determination Date
"Joint Bookrunners"	CLSA Limited, China Industrial Securities International Capital Limited, Haitong International Securities Company Limited and China Everbright Securities (HK) Limited
"Joint Global Coordinators"	CLSA Limited and China Industrial Securities International Capital Limited
"Joint Lead Managers"	CLSA Limited, China Industrial Securities International Capital Limited, Haitong International Securities Company Limited, China Everbright Securities (HK) Limited and First Capital Securities Limited
"Latest Practicable Date"	June 3, 2019 being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Le Xue"	one of our brands under which we provide early primary education programs to students from Grade One to Grade Three
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about June 21, 2019, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"M&A Rules"	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定), jointly promulgated by MOFCOM, China Securities Regulatory Commission and other PRC governmental authorities and became effective on September 8, 2006 and amended on June 22, 2009
"Magnificent Industrial"	Magnificent Industrial Company Limited (鴻圖嘉業有限公司), a company established under the laws of the BVI on December 29, 2017 and one of our Controlling Shareholders. For details of the shareholding of Magnificent Industrial, please refer to "History and Corporate Structure — Group structure upon the Global Offering" in this prospectus
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on June 3, 2019 and as amended from time to time
"MOE"	the Ministry of Education of the PRC
"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 on June 3, 2004
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft"	The Revised Draft of Implementation Rules for the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), which was issued by the Ministry of Justice of the PRC (中華人民共和國司法部) on August 10, 2018

"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)
"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, subject to any Downward Offer Price Adjustment
"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
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters pursuant to the International Underwriting Agreement, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, to require our Company to allot and issue up to an aggregate of 18,735,000 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
"**PINK** Application Form(s)"	the application form(s) to be completed by Eligible Employees
"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 Laws and Regulations"	any and all laws, regulations, statutes, rules, decrees, notices, and judicial interpretations of the Supreme People's Court currently in force and publicly available in the PRC as of the date hereof

"PRC Legal Advisor"	King & Wood Mallesons, the legal advisor to our Company as to PRC laws
"PRC Operating Entities"	Shenzhen Scholar and its subsidiaries from time to time, each of which is an affiliated entity of our Company
"Pre-IPO Investment"	the equity investment in our Company by CREG, which was completed in April 2018
"Price Determination Agreement"	an agreement expected to be entered between our Company and the Joint Global Coordinators (on behalf of the Underwriters) to fix the Offer Price
"Price Determination Date"	the date, expected to be on or around June 17, 2019 and, in any event, not later than June 19, 2019, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) to determine the Offer Price
"Registered Shareholders"	the shareholders of Shenzhen Scholar, namely Mr. Chen Qiyuan, Hongde Education, Xuanyang Investment, Ms. Chen Meiqin
"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 for of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Scholar APP"	our multifunctional mobile application. See "Business — Our Information Technology Platform — Scholar App" in the prospectus
"Scholar Center"	Shenzhen Scholar Education Training and Center* (深圳市思考樂教育培訓中心), a private non-enterprise entity established under the laws of the PRC on July 30, 2014, and one of our PRC Operating Entities

"Scholar Wangxiao App"	a mobile application that we plan to launch to offer free tutoring videos and digital materials
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share Subdivision"	the share subdivision referred to in "A. Further Information about our Company — 2. Charges in share capital of our Company" in Appendix V
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on June 3, 2019, the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix V to this prospectus
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Powers of Attorney"	the powers of attorney executed by each of the Registered Shareholders dated January 13, 2019
"Shareholders' Voting Rights Entrustment Agreement"	the shareholders' voting rights entrustment agreement dated January 13, 2019 entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar
"Sheng Xue"	one of our brands under which we provide academic preparation programs to students from Grade One to Grade 12 with a focus on helping students to improve their performance in academic subjects and preparing them for school entrance examinations for middle school, high school and universities
"Shenzhen America"	Shenzhen America Education and Training Co., Ltd.* (深圳市阿美睿卡教育培訓有限公司), a company established under the laws of the PRC on August 4, 2017 and a former subsidiary of Shenzhen Scholar. For details, please see "History and Corporate Structure — Corporate Reorganization" in this prospectus

"Shenzhen Fengye"	Fengye (Shenzhen) Technology Co., Ltd.* (楓燁(深圳)科技有限公司), a company established under the laws of the PRC on April 2, 2018 and an indirect subsidiary of our Company
"Shenzhen Scholar"	Shenzhen Scholar Culture and Education Technology and Development Co., Ltd.* (深圳市思考樂文化教育科技發展有限公司), a company established under the laws of the PRC on January 4, 2012 and one of our PRC Operating Entities
"Shenzhen Unique"	Shenzhen Unique Education and Technology Development Co., Ltd.* (深圳市優教優學教育科技發展有限公司), a company established under the laws of the PRC on June 26, 2017 and a former subsidiary of Shenzhen Scholar. For details, please see "History and Corporate Structure — Corporate Reorganization" in this prospectus
"Sino-Foreign Regulation"	collectively, Regulation of the PRC on Sino-foreign Cooperative Education* (中華人民共和國中外合作辦學條例) and the Implementation Measures for the Regulation of the PRC on Sino-foreign Cooperative Education* (中華人民共和國中外合作辦學條例實施辦法)
"Sky Noon"	Sky Noon International Company Limited (天晟國際有限公司), a company established under the laws of the BVI on December 29, 2017 and ultimately controlled by Mr. Chen Qiyuan, one of our Controlling Shareholders
"Sole Sponsor"	CLSA Capital Markets Limited
"Spouse Undertaking"	the spouse undertaking dated January 13, 2019 executed by the spouse of Mr. Chen Qiyuan
"Stabilization Manager"	CLSA Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"State Council Opinions 80"	Regulating Development of After-school Education Institutions 《(國務院辦公廳關於規範校外培訓機構發展的意見》, which was issued by the General Office of the State Council (國務院辦公廳) on August 22, 2018
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Structured Contracts"	collectively, the Exclusive Corporate Operation and Business Process Consultancy Service Agreement, the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholders' Voting Rights Entrustment Agreement, the Shareholders' Powers of Attorneys, the Equity Pledge Agreement and the Spouse Undertaking, further details of which are set out in the section headed "Structured Contracts" in this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"The Amended Law for Promoting Private Education"	The Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》), which was promulgated by Order No. 55 of the President of the PRC on November 7, 2016 and came into force on September 1, 2017
"Track Record Period"	the three years ended December 31, 2016, 2017 and 2018
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. 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
"Warranting Directors"	Mr. Chen Qiyuan, Mr. Chen Hongyu, Mr. Qi Mingzhi and Mr. Xu Chaoqiang
"**WHITE** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicant's own name

"**White Form eIPO**"	the application process for Hong Kong Offer Shares with applications issued in applicant's own name and submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the offer price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change
"Xiamen Scholar"	Xiamen Scholar Education Service Co., Ltd.* (廈門市思考樂教育服務有限公司), a company established under the laws of the PRC on April 13, 2016 and one of our PRC Operating Entities
"Xuanyang Investment"	Shenzhen Xuanyang Jiuzhou Investment Consulting LP* (深圳市軒揚九州投資諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 5, 2017 and owned as to 19.99% by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder, and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan
"**YELLOW** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"Youshine International"	Youshine International Co., Limited (煜耀國際有限公司), a company established under the laws of Hong Kong on January 25, 2018 and an indirect subsidiary of our Company
"You Xue"	the brand under which Shenzhen Unique provided small-class tutoring services during the Track Record Period. See "Business — Discontinued Operations"
"Yu Xi International"	Yu Xi International Company Limited (语汐国际有限公司), a company established under the laws of the BVI on April 29, 2019 and is wholly owned by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder

"%"	Percent

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

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.

Unless otherwise specified, discussions of our business and financial information in this prospectus do not include our discontinued operations under Shenzhen Unique and Shenzhen America.

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.

"first-tier universities"	the first batch of universities that enroll students after Gaokao. Except for students with specialties in arts and sports, among other things, the basic admission requirement for the relevant high school graduates is that they achieved certain level of high scores in Gaokao as designated by the relevant PRC provincial education authorities, and they choose such universities for their college entrance application. Generally, these universities have stronger comprehensive strengths, such as school facilities, academic resources and scientific research capabilities, among other things, and frequently gain special support from the PRC central and local governments
"Gaokao"	the national college entrance examination in the PRC, which is a prerequisite for entrance into almost all higher educational institutions at the undergraduate level in the PRC
"Guangdong-Hong Kong-Macau Greater Bay Area" or "Greater Bay Area"	refers to the Chinese government's scheme to link the two special administrative regions, namely Hong Kong and Macau, and the nine cities in Guangdong province, namely Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Huizhou, Zhongshan, Jiangmen and Zhaoqing into an integrated economic and business hub
"high schools"	schools that provide education for students in grade ten through grade 12
"K-12"	preschool to grade 12, also known as "fundamental education"
"middle schools"	schools that provide education for students in grade seven through grade nine
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions. The one-child policy was replaced by the two-child policy implemented in 2016

"planned enrollment"	is calculated as (a) the number of students each classroom can accommodate at the same time based on the number of available seats multiplied by (b) the number of classes scheduled for the classroom
"preschool(s)"	educational establishments offering early childhood education to children prior to the commencement of compulsory education
"primary schools"	schools that provide education for students in grade one through grade six
"Project 211 universities"	116 universities sponsored by Project 211 initiated by the MOE in 1995, with the intent of raising the research standards of high-level universities and cultivating strategies for socio-economic development
"Project 985 universities"	39 universities sponsored by Project 985 initiated by the MOE in 1999, with large amounts of funding allocated from both the PRC national and local governments to support the development of the designated universities
"student enrollments"	refer to the cumulative total number of courses (excluding trial courses unless otherwise specified) registered, paid for and attended by our students during a given period of time; if one student enrolls in multiple courses, it will be counted as multiple student enrollments
"student retention rate"	refers to the number of student enrollments in the same subject for any consecutive terms during a given period of time (i.e. if a student enrolls in the same subject in Spring and Summer, it will be counted as a student enrollment for this purpose) as a percentage of the total number of student enrollments during that period
"tier one cities"	refer to cities with strong economic development and high per capita disposable income, including Beijing, Shanghai, Guangzhou and Shenzhen
"tier two cities"	represent the capital cities in 30 provinces and autonomous regions, and economically developed prefecture-level cities in the PRC
"tuition rate"	represents tuition fee per tutoring hour

"tutoring hour"	the unit for measuring tutoring time delivered to students, typically represents 60 minutes of class time
"two-child policy"	China's population control policy implemented in 2016 by the Decision of the Central Committee of the Communist Party of China and the State Council on Implementing the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services (《中共中央、國務院關於實施全面兩孩政策改革完善計劃生育服務管理的決定》), according to which a family is allowed to have up to two children
"Zhongkao"	also known as the Senior High School Entrance Examination, the academic examination held annually in the PRC to distinguish junior school students

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

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollments;
- our ability to maintain or raise tuition fees;
- our ability to retain and hire quality staff (including teachers);
- 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 ability to remit dividends;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

The success of our business depends primarily on the number of students enrolled in our courses. Therefore, our ability to continue to attract students to enroll in our courses is critical to the continued success and growth of our business. This in turn will depend on several factors, including our ability to develop new programs and enhance existing programs to respond to changes in market trends and student demands, expand our geographic reach, manage our growth while maintaining consistent and high teaching quality, effectively market our programs to a broader base of prospective students, develop additional high-quality educational content and respond effectively to competitive pressures. If we are unable to continue to attract students to enroll in our courses, our revenues may decline, which may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, our business performance is sensitive to demographic changes in China. Student enrollment in private education in China is directly affected by the number of potential students in an area, which in turn may be directly affected by the various external factors, including policies of the PRC government on family planning. Should the PRC government introduce policies that further restrict child birth in the future, it could have a negative impact on the growth of the education industry in China, resulting in further competitive pressure on us. This is particularly true with respect to any demographic factors that affect Shenzhen where most of our learning centers are located and most of our revenue is generated. See "— We are exposed to geographical concentration risks as our operations are heavily concentrated in Shenzhen."

If we are unable to continue to attract students and parents without significantly decreasing the level of tuition fees or incurring significant increase in our selling and marketing expenses, our revenue may decline or we may not be able to maintain profitability, either of which could have a material adverse effect on our business, results of operations and financial condition.

We face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margin, loss of market share, departure of qualified employees and increased capital expenditures if we are unable to compete effectively.

The education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We primarily compete with K-12 after-school tutoring service providers that offer similar tutoring programs. We compete with these tutoring service providers across a range of factors, including, among others, program and curriculum offerings, level of tuition, learning centers' location and premises, quality of teaching materials and competency of teachers and other key personnel. Our competitors may adopt similar curriculums and marketing strategies, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their services and respond more quickly than we can to the changes in student preferences, testing materials, admission standards, market needs or new technologies. If we reduce the level of tuition fees or increase spending in response to competition in order to retain or attract students and qualified teachers, or pursue new market opportunities, our revenue may decrease and our expenses may increase as a result of such actions, which may in turn adversely affect our profitability. If we are unable to successfully compete for students, maintain or increase our level of tuition, attract and retain competent teachers or other key personnel, maintain our competitiveness in terms of the quality of our education services in a cost-effective manner, our business and/or results of operations may be materially and adversely affected.

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

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

Our private non-enterprise unit which operates the learning center is required to choose to register as a "for-profit private school" or a "non-profit private school" subject to the deadlines stipulated in the local rules and regulations, and such requirement does not apply to limited liability company whether it operates a learning center. As of the Latest Practicable Date, our Group had four private non-enterprise units, including three located in Guangdong province and one located in Fujian province, and we had one learning center in Foshan, which is in the process of applying for the certificates of private non-enterprise unit. Such private non-enterprise units are required to choose to register as a "for-profit private school" or a "non-profit private school". As advised by our PRC Legal Advisor, the respective education departments of Guangdong and Siming District of Xiamen City, Fujian province have not promulgated specific rules to provide the respective deadlines for private non-enterprise units operating learning centers to register as a "for-profit private school" or a "non-profit private school". Our Directors confirm that our Group have decided to choose to register all private non-enterprise units as a "for profit private school" in due course in compliance with the relevant rules.

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

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

Pursuant to the Amended Law for Promoting Private Education and other related administrative rules, in order to obtain and maintain the school operation permit, private education institutions must submit the qualification certificates of their school principals, teachers and financial personnel. The teaching staff of the institutions shall have relevant teacher qualifications or professional skill qualifications. For the teaching staff who teach Chinese, mathematics, English, physics, chemistry and other subjects in compulsory education stage, such teaching staff shall have the relevant teacher qualifications. However, it is silent on the definition of "teacher qualifications". As of the Latest Practicable Date, approximately 47.6%, or 532 of our full-time teaching staff (including 522 based in Guangdong province) who teach Chinese, mathematics, English, physics, chemistry and other subjects had teacher qualifications issued by competent government authorities. However, there are still uncertainties as the specific rules and standards for the qualification of teaching staff in municipality cities of Guangdong have not been promulgated. In addition, the municipality cities in Guangdong may set forth more specific and stricter requirements for teacher qualifications according to the Guangdong Measures and the Standards for Setting up Private After-school Education Institutions (《民辦培訓機構的設置標準》, the "Guangdong Standards"). Moreover, uncertainties also exist as the specific rules and standards for the qualification of teaching staff may be further promulgated from time to time by national or local competent authorities.

On August 31, 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》), which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80. Among other things, it provides that the teaching staff who are required to obtain relevant teacher qualifications shall participate in the teacher qualification examination in the second half of 2018, and if such teaching staff fail to pass the teacher qualification examination, they shall not engage in the abovementioned training activities. Based on the consultations with Shenzhen Education Bureau, Foshan Education Bureau and three county-level education bureaus in Dongguan, all of which, as advised by our PRC Legal Advisor, are the competent authorities for such purpose, our Company has been advised, among others, that as there are only two opportunities a year to participate in teacher qualification examinations, a transitional period, which is until the end of 2019, will be granted before teacher qualifications are officially obtained by teachers, and no administrative penalties will be imposed on the after-school education institution, nor will it affect the operation of such after-school education institution. We only conducted consultations with three county-level education bureaus in Dongguan, primarily because our three learning centers located in such counties in Dongguan had a relatively low percentage of teachers that had obtained teacher qualifications, which was approximately 31.6%, compared with approximately 85.9% of the number of teachers with teacher qualifications in the other six learning centers. With respect to teaching staff without teacher qualifications from those learning centers not covered by the confirmations we obtained from local education authorities, we have ceased their engagement in teaching activities and internally changed their positions from teachers to researching staff, training instructors or teaching assistants, and adjust their roles accordingly to comply with the relevant PRC laws and regulations. For teaching staff without teacher qualifications from the other learning centers that we obtained confirmations from local education authorities, we require them to participate in the teacher qualification examination in accordance with guidances of the competent education authorities, requirements of the Amended Law for Promoting Private Education and other related administrative rules, and if such teaching staff fail to obtain relevant teacher qualifications as required by the Amended Law for Promoting Private Education and related administrative rules by the end of 2019, we will cease their engagement in the training activities for Chinese, mathematics, English, physics, chemistry and other subjects and internally change their positions from teachers to researching staff, training instructors or teaching assistants, and adjust their roles accordingly to comply with the relevant PRC laws and regulations.

We cannot assure you that we will comply with such regulations regarding teacher qualifications. If we are not able to hire sufficient teachers with teacher qualifications, our business and results of operations may be materially and adversely affected.

We are subject to uncertainties brought by the MOJ Draft.

On August 10, 2018, the Ministry of Justice ("MOJ") of the PRC (中華人民共和國司法部) issued the MOJ Draft and an explanatory note to invite public comments on the MOJ Draft till September 10, 2018. See "Business — New Education Regulations Overview — Overview" for details.

The MOJ Draft stipulates further provisions on the operation and management of private schools. Among other things, (i) any social organization that invests in or actually controls a number of private schools and implements collectivization in operating private schools shall have (a) the legal capacity, and (b) the funds, personnel, qualification and ability suitable for the education activities it carries out, and shall undertake the responsibilities of management and supervision overt the private schools sponsored by it; and (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. With respect to requirement (ii) above, our Structured Contracts may be regarded as connected transactions between the WFOE and our PRC Operating Entities engaged in provision of K-12 after-school education services and we may incur substantial compliance costs for establishing disclosure mechanisms. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention.

The MOJ Draft was recently released for public comments and may be subject to further revision. Thus, our PRC Legal Advisor is of the view that there are substantial uncertainties on, among other things, the final provisions of the Implementation Rules for the Law for Promoting Private Education of the PRC and its effective date.

If we are not able to maintain and enhance our brand, our business and operating results may be harmed.

We believe that market awareness of our "Scholar Education" (思考樂教育) brand has contributed significantly to the success of our business, and that maintaining and enhancing our brand is critical to maintaining our competitive advantage. As we continue to grow in size and expand our programs and services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to diminishing confidence in our brand name.

Our ability to maintain our reputation may be affected by a number of factors, including, but not limited to, the levels of student and parent satisfaction with our curriculums, our teachers and their teaching quality, the grades achieved by our students, accidents on learning centers, teacher or student scandals, negative publicity, disruptions to our tutoring services, failure to pass an inspection conducted by a government educational authority, absence of certifications and approvals that enable us to operate our learning centers in the manner they are currently or planned to be operated, unauthorized use or infringement of our brand or intellectual properties by third parties. Furthermore, our learning centers may not be able to meet our students' and their parents' expectations in terms of students' academic performance, or to ensure that students enrolled in our learning centers would be accepted by top-tier middle schools, high schools or universities of their choice. A student may not be able to achieve his or her expected academic results and/or other achievements, at any time, his or her performance may decline due to reasons beyond our control. Student and parent satisfaction with our tutoring courses may also decline. If we are unable to maintain our brand name and recognition, we may also be unable to maintain or increase student enrollments, which may have a material adverse effect on our business, financial condition and results of operations.

We have developed our student base in part through word-of-mouth referrals and media advertisement. We cannot provide assurance that our sales and marketing efforts will be successful in further promoting our brand in a competitive and cost-effective manner, or at all. If we are unable to further enhance our brand recognition and increase awareness of our services, or if we incur excessive sales and marketing expenses, our business and results of operations may be materially and adversely affected.

We may not be able to maintain or increase our tuition rates.

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

Failure to adequately and promptly respond to changes in examination systems, admission standards, test materials and teaching methods in the PRC could render our courses and services less attractive to students.

In China, school admissions rely heavily on examination results, and students' performance in these examinations is critical to their education and future employment prospects. It is therefore common for students to take after-school tutoring classes to improve their test performance, and the success of our business to a large extent depends on the continued use of entrance exams or tests by schools in their admissions. However, such heavy emphasis on examination scores may decline or fall out of favor with educational institutions or government authorities in China.

Admission and assessment processes undergo continuous changes, in terms of subject and skill focus, question type, examination format and the manner in which the processes are administered. We are therefore required to continually update and enhance our curriculums, teaching materials and teaching methods. Any failure to respond to the changes in a timely and cost-effective manner will adversely impact the marketability of our services and products.

We are subject to various regulations with respect to after-school education services in the PRC, such as Circular 3 and Guangdong Measures. We may not be able to fully comply with these requirements and our business, financial condition and results of operations may be materially and adversely affected.

The laws and regulations governing the after-school education institutions continue to evolve. Relevant laws and regulations may change from time to time to accommodate the development of the after-school education industry.

Regulations and policies that decrease the weight of scholastic competition achievements in the admissions process mandated by government authorities or adopted by schools have had, and may continue to have, an impact on our enrollments. For example, the MOE issued certain implementation guidelines in January 2014 to clarify that local educational administrative departments at all levels, public schools and private schools are not allowed to use examinations to select their students for admission to middle schools from primary schools. Public schools may not use various competitions or examination certificates as the criteria or basis for enrollment. On February 13, 2018, the General Office of the MOE, together with three other government authorities, promulgated the Circular 3, which aims to alleviate after-school burden on primary and middle school students through inspection and rectification on after-school tutoring institutions. For the details regarding the requirement under Circular 3, see "Regulatory Overview — Regulations on Private Education in the PRC — Circular 3" in this prospectus. Pursuant to the Measures for the Supervision and Administration of For-profit Private After-school Education Institutions (《營利性民辦培訓機構的監督管理辦法》, the "Guangdong Measures"), the tutoring activities on Chinese, mathematics, foreign language, physics, chemistry and other subjects in compulsory education stage provided by after-school education institutions should conform to the educational rule and the characteristics of the physical and mental development of the minors and should be based on the relevant curriculum standards. It is strictly prohibited to unduly raise learning requirements, speed up learning progress and increase learning difficulty in the tutoring activities. See "Regulatory Overview — Regulations on Private Education in the PRC — The Amended Law for Promoting Private Education" for details. On December 28, 2018, the Ministry of Education and other nine departments promulgated the Notice on Printing and Distributing the Measures for Alleviating Burden on Students of Primary School and Middle School (《關於印發中小學生減負措施的通知》) to further strengthen the management of after-school education institutions, including prohibiting excessive training of after-school education institutions. It is forbidden to (i) link after-school education results with enrollment in primary and middle schools, (ii) make guarantee commitments in relation to the entrance to schools or examinations, and (iii) organize the subject-related examinations, competitions and rankings among primary and middle school students. We believe that our current programs will not be directly impacted by Circular 3 and Guangdong Measures. During the Track Record Period, we generated substantially all of our revenue from learning centers located in Guangdong. With the assistance of our PRC Legal Advisor, we consulted Shenzhen Education Bureau (深圳市教育局) and Foshan Education Bureau (佛山市教育局) (which are, as advised by our PRC Legal Advisor, competent authorities in giving such consultation), and we were advised by these education authorities that our Group was well-regulated and they did not receive any complaint relating to our Group or find any violation of Circular 3 and Guangdong Plan by our Group. However, uncertainties exist as the relevant authorities have discretion as to how Circular 3 and the Guangdong Measures should be interpreted and implemented. We cannot assure you that our business will continue to be in compliance with these regulations if the relevant authorities change their interpretation of these regulations, and our operation of business might be adversely affected.

Uncertainties exist in relation to the State Council Opinions 80, which may materially and adversely affect our business, financial condition, and results of operations.

On August 22, 2018, the General Office of the State Council (國務院辦公廳) issued the State Council Opinions 80 which provide various guidance on regulating after-school training market for primary and secondary school students, including, among others, the operation standards that after-school education institutions should follow, the requirements and approvals necessary for opening new after-school education institutions, the guidance for daily operation of after-school education institutions, and the regulatory supervision scheme for after-school education institutions. See "Regulatory Overview — State Council Opinions 80" for the summary of the State Council Opinions 80.

The State Council Opinions 80 only set out general guidance on regulating after-school education institutions targeting primary and secondary school students. Detailed rules of implementation are yet to be introduced by the competent authorities. For instance, the State Council Opinions 80 provide that personal safety insurance shall be purchased for students to mitigate risks, but are silent as to the specific type, amount and coverage of such required personal safety insurance. We have been consulting with competent local authorities about the type, amount and coverage of insurance policy that can satisfy the State Council Opinions 80, as well as evaluating insurance plans proposed by insurance companies.

Further, there are potential conflicts between the State Council Opinions 80 and previously published government policies which require further interpretation and clarification. For instance, pursuant to the State Council Opinions 80, opening branches or learning centers by any after-school education institution within the same county-level city shall also be subject to approval, whereas the MOJ Draft provided that opening branches or learning centers within the same municipality directly under the central government or the same city with districts where such after-school education institution is located does not need to seek approval but shall file with both the authority granting the operation permit to such after-school education institution and the relevant authorities where the branches or learning centers are located for record. On December 17, 2013, Shenzhen Education Bureau issued the Several Provisions on the Administration of Shenzhen After-school Education Institutions (《深圳市教育培訓機構管理若干規定》), pursuant to which conditions for establishing a branch for after-school education institutions shall not be lower than the conditions of the corresponding education and training centers. Setting up a branch of learning centers is required to file registrations with the relevant education authorities. In addition, except for Shenzhen detailed rules of application for such approval are yet to be introduced by local education administration authorities of other cities where we operate, and the State Council Opinions 80 are silent as to whether there will be a time limit for the existing after-school education institutions to obtain such approval.

We have conducted a self-review to ensure that we will comply with the State Council Opinions 80 in material aspects in relation to the operation of after-school education institutions. We also, accompanied by the PRC Legal Advisor, consulted with Shenzhen Education Bureau (深圳市教育局) and Foshan Education Bureau (佛山市教育局) about the detailed guidance and implementing rules in accordance with the State Council Opinions 80, as well as the impact on our

Company of the State Council Opinions 80. See "Business — New Education Regulations Overview — The State Council Opinions 80" for details. However, uncertainties still exist as the competent authorities may set more specific and stringent operation requirements for after-school education institutions. We may be unable to meet such requirements in a prompt manner or incur additional costs in complying with such requirements, which may adversely affect our business, financial conditions, and results of operations.

Our business depends on our ability to recruit, train and retain dedicated and qualified teachers, senior management and other qualified personnel.

We rely substantially on our teachers for the provision of tutoring services to our students. Our teachers are therefore critical to maintaining the quality of our programs and services and to upholding our brand and reputation. As of the Latest Practicable Date, we had a total of 1,118 full-time teachers. We must continue to attract qualified teachers who have a strong command of their respective subject areas to meet our high standards in order to maintain the quality of our tutoring services and grow our business. We seek to hire teachers who are capable of delivering innovative and inspirational classroom instructions, and the number of candidates is limited. In addition, we must provide on-going training to our teachers so that they can stay abreast of changes in market needs, student demands and other key trends necessary to effectively teach their respective courses. Similarly, there is a limited number of qualified and experienced school personnel, such as regional principals, all of whom are crucial to the efficient and smooth management of the learning centers we operate. As a result, we have to provide competitive compensation and benefits packages to attract and retain qualified teachers and other key personnel.

We may not be able to hire or retain a sufficient number of qualified teachers and qualified school personnel at acceptable costs, or at all, to keep pace with our anticipated growth while maintaining consistent teaching quality of our tutoring programs across different learning centers. Faced with intense competition, we may need to offer more competitive compensation packages to recruit and retain our teachers and key personnel and incur substantial costs. If we are unable to recruit and retain an appropriate number of qualified teachers and key personnel, the quality of our services or overall tutoring programs may suffer or be perceived to have been compromised in one or more of our learning centers, which may have a material adverse effect on our reputation, business or results of operations.

In addition, our future success heavily depends on the continuing services of our executive Directors and senior management team, which includes Mr. Chen Qiyuan, our chairman, Mr. Qi Mingzhi, our chief executive officer and executive Director, Mr. Xu Chaoqiang, our executive Director and Mr. He Fan and Ms. Li Ailing, our senior management members. If one or more of our executive Directors or senior management 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.

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

We constantly update and improve the content of our existing courses and develop new courses to meet market demands. Revisions to our existing courses and our newly developed courses may not always be well received by existing or prospective students or their parents. If we cannot respond effectively to changes in market demands, our business may be adversely affected. Even if we are able to develop new courses that are well received, we may not be able to introduce them as quickly as our students may require. If we do not respond adequately to changes in market requirements, our ability to attract and retain students could be impaired and our financial results could suffer.

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

We are exposed to geographical concentration risks as our operations are heavily concentrated in Shenzhen.

We derived approximately 99.3%, 94.0% and 85.8% of our total revenue from continuing operations for the years ended December 31, 2016, 2017 and 2018, respectively, from our operations in Shenzhen. Going forward, we expect our operations in Shenzhen to continue to constitute the major source of our revenue. The concentration of our business in Shenzhen exposes us to geographical concentration risks related to this region. Any material adverse social, economic and political developments, such as serious economic downturn, natural disaster, or outbreak of contagious disease in this region, may negatively affect the demand for and/or our ability to provide K-12 after-school tutoring services. Furthermore, in the event that the local government adopts regulations relating to private education that place additional restrictions or burdens on us, or the market in Shenzhen experiences an increase in the level of competition for the types of services we offer our overall business and result of operations may be materially and adversely affected.

Higher labor costs, particularly increasing teachers' salary, may adversely affect our business and our profitability.

Labor costs in China have risen in recent years as a result of social development and increasing inflation in China. As of December 31, 2018, we had 2,243 employees in China. The increases in labor cost may erode our profitability and materially harm our business, financial condition and results of operations. For the years ended December 31, 2016, 2017 and 2018, our employee benefit expenses represented 66.8%, 59.1% and 61.6% of our total cost of sales from continuing operations, respectively. If labor costs in China continue to increase, our operating costs will increase. We may not be able to pass on these increased costs to our customers by increasing our level of tuition fees in light of competitive pressure in the markets. In such circumstances, our profit margin may decrease, which could have adverse effect on our business, financial condition and results of operations.

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

For the years ended December 31, 2016, 2017 and 2018, our total revenue from continuing operations was RMB170.8 million, RMB375.8 million and RMB493.1 million, respectively. Any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. In addition, the after-school tutoring service market in China is still at the early stage of development, which makes it difficult to evaluate our business and future prospects. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including general economic conditions and regulations or government actions pertaining to the private education service sector in China, changes in spending on private education, our ability to control cost of sales and operating expenses, and non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or under unexpected circumstances. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance.

If our students' level of performance falls or satisfaction with our services declines, our annual retention rate may decline and our business, financial condition, results of operations and reputation would be adversely affected.

The success of our business depends on our ability to deliver a satisfactory learning experience and improved academic results. Our tutoring services may fail to improve a student's academic performance and a student may perform below expectations even after completing our courses. Additionally, student and parent satisfaction with our services may decline. A student's learning experience may also suffer if his or her relationship with our teachers does not meet expectations. We generally offer refunds for remaining classes to students who decide to withdraw from a course. If a large number of students request refunds, our revenues and results of operations may be adversely affected. In addition, if a significant number of students fail to improve their performance after attending our courses or if their learning experiences with us are unsatisfactory, they may decide not to continue to enroll in our courses, and our business, financial condition, results of operations and reputation would be adversely affected.

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

The number of our learning centers increased from 28 as of December 31, 2016 to 54 as of December 31, 2018. We plan to continue to expand our operations in different geographic markets in China. Establishing new learning centers poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The expansion has resulted, and will continue to result, in substantial demands on our management and staff as well as our financial, operational, technological and other resources. Our planned expansion will also place significant pressure on us to maintain the teaching quality and uniform standards, controls and policies to ensure that our brand does not suffer as a result of any decrease, whether actual or perceived, in the quality of our programs. To manage and support our expansion, we must improve our existing operational, administrative and technological systems and our financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative and marketing personnel. We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations, maintain or accelerate our current growth rate, recruit and retain qualified teachers and management personnel, successfully integrate new learning centers into our operations and otherwise effectively manage our growth. Our failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

If we fail to successfully execute our growth strategies, our business and prospects may be materially and adversely affected.

During the Track Record Period, we have experienced steady growth and expansion that has placed, and continues to place, significant pressure on our management and resources. See "Business — Our Business Strategies" for further details. We may not succeed in executing our growth strategies due to a number of factors, including the following:

- we may fail to identify new cities with sufficient growth potential into which to expand our network;
- it may be difficult to increase the number of learning centers in more developed cities;
- we may fail to effectively market our services in new markets or promote new courses in existing markets;
- we may not be able to replicate our successful growth model in Shenzhen to other geographic markets;
- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new locations may not materialize or increase as rapidly as we expect;
- we may fail to obtain the requisite licenses and permits necessary to open learning centers at our desired locations from local authorities;
- we may fail to achieve the benefits we expect from our expansion; and
- new learning centers also incur expenses before opening, such as rental expenses and staff costs, and require time to ramp up and achieve our target performance. It may take longer than expected for our new learning centers to ramp up and reach, or may never reach, our expected profit levels.

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

Accidents or injuries suffered by our students or other people on our premises may adversely affect our reputation, subject us to liability and cause us to incur substantial costs.

We could be held liable for the accidents or injuries or other harm to students or other people at our learning centers, including those caused by or otherwise arising in connection with our facilities or employees. We could also face claims alleging that we were negligent, provided inadequate supervision to our employees and therefore should be held jointly liable for harm caused by them or are otherwise liable for injuries suffered by our students or other people on our premises. Our learning centers may thus be regarded to be unsafe, which may discourage prospective students from applying to or attending our learning centers. In addition, our insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities, and we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if 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.

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

As a company operated in the PRC, we are required to participate in various social security plans for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance plans or housing provident funds based on the actual salary level of our employees. See "Business — Employees." We cannot assure you that our employees will not complain to the relevant authorities regarding the basis of how we had made contribution for them, which may in turn result in the relevant authorities ordering us to make supplemental contribution and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our business, financial condition and results of operations.

We cannot assure you that we will not be subject to liability claims for any inaccurate or inappropriate content in our curriculums and teaching materials, which could cause us to incur legal costs and damage our reputation.

We develop a majority of the content of our curriculum and teaching materials ourselves. We cannot assure you that there will be no inaccurate or inappropriate materials included in our courses. In addition, our mock examination questions designed internally based on our understanding of the relevant examination requirements may be investigated by the regulatory authorities. Therefore, we may face civil, administrative or criminal liability if an individual or corporate, governmental or other entity believes that the content of any of our curriculum or teaching materials violates any laws, regulations or governmental policies or infringes upon its legal rights. Even if such a claim is not successful, defending such a claim may cause us to incur substantial costs. Moreover, any accusation of inaccurate or inappropriate conduct could lead to significant negative publicity, which could harm our reputation and future business prospects.

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

Our future success depends heavily upon the continuing services of the members of our senior management team, which includes Mr. Chen Qiyuan, our chairman, Mr. Qi Mingzhi, our chief executive officer and executive Director, Mr. Xu Chaoqiang, our executive Director and Mr. He Fan and Ms. Li Ailing, our senior management members. If any member of our senior management team leaves us and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition and results of operations could be adversely affected. Competition for experienced management personnel in the education industry is intense, and we may not be able to retain the services of our senior executives or key personnel, or to attract and retain high quality senior executives or key personnel in the future.

Our success also depends on our having highly trained financial, technical, human resource, sales and marketing staff, management personnel and qualified teachers for local markets. We will need to continue to hire additional personnel as our business grows. A shortage in the supply of personnel with requisite skills or our failure to recruit them could impede our ability to increase revenues from our existing courses and services, to launch new course and service offerings and to expand our operations, and would have an adverse effect on our business and financial results.

We operate our learning centers on leased properties and may not be able to control rental cost, quality, maintenance and management of these learning centers, nor can we ensure we will be able to renew or find suitable premises to replace our existing learning centers in the event our landlords refuse to renew the relevant lease agreements upon the expiration of their terms.

As of the Latest Practicable Date, a majority of our offices and learning centers are presently located on leased premises. See "Business — Properties". Such premises and facilities were developed and/or maintained by our landlords. Accordingly, we are not in a position to effectively control the quality maintenance and management of such premises and facilities. In the event the quality of the premises and facilities deteriorates, or if any or all of our landlords fail to properly maintain and renovate such premises or facilities in a timely manner, or if we are unable to successfully extend or renew our leases upon expiration of the current term on commercially reasonable terms or at all, we may be forced to relocate our learning centers, or the rental costs may increase significantly. This could disrupt our operations and adversely affect our profitability. We compete with many other businesses for sites in certain highly desirable locations and some landlords may have entered into long-term leases with our competitors for prime locations. As a result, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business.

As of the Latest Practicable Date, the contractual use of nine of our leased properties was inconsistent with the planned use on building ownership certificates. See "Business — Properties — Leased Properties — Title Defects". As advised by our PRC Legal Advisor, properties that have been changed the nature of use in violation of relevant PRC laws and regulations may not be rented. If such properties were rented, the competent government authorities may order to make corrections within a time limit and may impose a fine on the lessor. If relevant government authorities require us to correct such inconsistency, we may be unable to continue to lease such units and as a result we may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. If we fail to find suitable replacement sites in a timely manner or on terms acceptable to us, our business and results of operations could be materially and adversely affected.

In addition, as of the Latest Practicable Date, we did not register 77 of our lease agreements with the relevant government authorities. See "Business — Properties — Leased Properties — Non-registration". Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. As advised by our PRC Legal Advisor, while the lack of registration will not affect the validity and enforceability of the lease agreements, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties for each non-registered lease in case we do not observe an order issued by relevant government authority requiring us to file the registration within a specific period of time. We may incur additional expenses if any fines were imposed upon us, which may adversely affect our business and results of operations.

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

We are required to obtain and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct our learning services and operate our learning centers. For instance, as required by the Amended Law for Promoting Private Education and its implementing rules, we are required to obtain a private school operation permit from the local education bureau and to register with the local civil affairs bureau or industry and commerce department to obtain a certificate of registration for a private non-enterprise unit or corporate entity. As of the Latest Practicable Date, we had not obtained the private school operation permits for two of our learning center or entity in Xiamen. As advised by our PRC Legal Advisor, provision of tutoring services without obtaining the school operation permits may subject us to order to suspend the operation of the affected learning centers and refund the tuition fees, and a fine of one to five times of the gains from the learning centers that failed to obtain the private school operation permits. Our Directors confirmed that, as of the Latest Practicable Date, (i) Xiamen Lvcuo Learning Center has filed application for the private school operation permit; and (ii) we closed the learning center operated by Xiamen Scholar in May 2019. See "Business — Licenses and Permits — Private School Operation Permit" and "Business — Legal Proceedings and Compliance — Non-compliance Incidents" in this prospectus for details. In addition, premises of our learning centers are required to complete fire safety filings with the competent fire safety authorities unless the investment amount of such construction work is less than RMB300,000 or the gross floor area is less than 300 sq.m., according to the relevant PRC laws and regulations. As advised by our PRC Legal Advisor, if we cannot complete the fire safety filings or inspections, according to the relevant requirements, we may be subject to a fine or may be ordered to make rectification within a specified period of time or suspend our operation on the affected property, and the application and renewal of school operating permits for the learning centers located in the affected properties may be affected. During the Track Record Period and up to the Latest Practicable Date, one of our leased properties which has been put into use did not complete the fire safety inspections with relevant fire safety authorities. See "Business — Properties — Leased Properties — Fire Safety Filings" for details.

There can be no assurance that we will be able to obtain all required permits and complete all necessary filings, renewals and registrations on a timely basis for our learning centers, given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive the required permits in a timely manner or obtain or renew any permits and certificates, we may subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations or claims for compensation of any economic loss suffered by our students or other relevant parties.

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

During the Track Record Period, we used a total of 23 personal bank accounts to receive, transfer and pay certain funds in connection with the business operations of our learning centers. Our PRC Legal Advisor has advised us that, according to the Measures for the Administration of RMB Bank Settlement Accounts (《人民幣銀行結算賬戶管理辦法》), if an entity settles its corporate funds through a personal bank account, a warning or fine ranging between RMB5,000 to RMB30,000 may be imposed upon such entity. Our Directors confirm that all funds received and paid through the personal accounts involved no illegal income. As of December 31, 2017, we had ceased the use of all personal bank accounts for the settlement of corporate funds. As advised by our PRC Legal Advisor, according to the Measures for the Administration of RMB Bank Settlement Accounts (《人民幣銀行結算賬戶管理辦法》), the maximum aggregate penalty which might be imposed on us is a fine of RMB30,000. As of the Latest Practicable Date, no fines or other penalties had been imposed by the relevant government authorities with respect to our prior use of personal bank accounts. Our PRC Legal Advisor advised us that given the use of personal accounts had ceased and no warning nor penalties with respect to the arrangements were imposed upon us by competent authorities during the Track Record Period, the legal risks of us being imposed any fines or penalties by the relevant government authorities in the future with respect to the arrangements are low. However, we cannot assure you that we will not be subject to fines or other penalties due to our prior use of personal bank accounts for the settlement of corporate funds, which may materially and adversely affect our business, financial condition and result of operations.

The application of IFRS 16 will affect our statement of financial position, profile of profit and loss statement and certain key ratios (including gearing ratio) when it becomes effective due to our operating lease arrangements.

IFRS 16, which will become effective from annual periods on or after January 1, 2019, sets out the principles for the recognition, measurement, presentation and disclosure of leases. See Note 2.1(i) to the Accountants' Report in Appendix I to this prospectus for more details.

As of December 31, 2018, we had payment commitments under non-cancellable operating leases of approximately RMB319.7 million as disclosed in Note 28 to the Accountants' Report in Appendix I to this document. We expect to derecognize prepaid lease payments and recognize right-of-use ("ROU") assets of approximately RMB266.4 million (after adjustments for prepaid and accrued lease expenses as of December 31, 2018) and recognize lease liabilities of approximately RMB266.7 million in the consolidated balance sheets on January 1, 2019. As for the financial performance impact in profit or loss, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of ROU assets and interest expense arising from the lease liabilities will increase. Operating cash flows are expected to increase and financing cash flows to decrease as a result of repayment of the principal portion of the lease liabilities which will be classified as cash flows from financing activities. Given that the total ROU assets accounted for 55.0% of the total assets of our Group as of December 31, 2018 and the lease liabilities accounted for 73.0% of the total liabilities of our Group as of December 31, 2018, our Directors anticipate that the application of IFRS 16 in the future will result in significant impact on our Group's financial position. We expect to recognize ROU assets of approximately RMB266.4 million and recognize lease liabilities of approximately RMB266.7 million in the consolidated balance sheet on January 1, 2019. The gearing ratio of our Group on January 1, 2019 will increase from 76.04% to 82.57% after the initial adoption of IFRS 16. We expect that profit before income tax will decrease by approximately RMB 6.3 million for the year ending December 31, 2019 as a result of adopting the new standard based on the existing leases as of December 31, 2018.

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

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

Our investments in wealth management products may be subject to certain counterparty risks and market risks.

During the Track Record Period, we invested certain amounts of cash in wealth management products. These investments are generally short-term low-risk wealth management products issued by licensed commercial banks in the PRC. For the years ended December 31, 2016, 2017 and 2018, the fair value gains of such investments from continuing operations totaled RMB1.1 million, RMB4.2 million and RMB10.5 million, respectively. Accordingly, we are subject to the risks that any of our counterparties, such as the banks that issued wealth management products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered "impaired", and an impairment loss would be recognized in accordance with accounting policies and charged to our statements of profits or loss for the relevant period. Accordingly, any material decline in the fair value of these short-term investments may have a material adverse effect on our results of operations.

The fair value of our financial assets may face uncertainties and be subject to fluctuations as the valuation of its fair value involves the use of significant unobservable inputs.

We recorded fair value changes on financial assets at fair value through profit or loss ("FVPL") of RMB1.09 million, RMB4.23 million and RMB10.52 million in 2016, 2017 and 2018, respectively. The returns on all these wealth management products were not guaranteed, and their contractual cash flows did not qualify solely as payments of principal and interest. Therefore, they were measured at fair value through profit or loss. As these financial instruments were not traded in an active market, they were within level 3 of the fair value hierarchy. Their fair values were determined based on future cash flows discounted using the expected rates of return estimated by management and with reference to the prices quoted by the relevant financial institutions. The higher the expected rates of return, the higher the fair values.

Major assumptions used in the valuation of financial assets at FVPL are presented in Note 18 of Accountant's Report in Appendix I to this prospectus. Changes in any of the assumptions could result in changes in fair values of our financial assets at FVPL, which could negatively impact our financial condition and net profit or loss.

We recorded net current liabilities as of December 31, 2016, 2017 and 2018 and may record net current liabilities in the future.

As of December 31, 2016, 2017 and 2018, we recorded net current liabilities of RMB53.6 million, RMB118.0 million and RMB51.7 million, respectively. We recorded net current liabilities as of December 31, 2016, 2017 and 2018, primarily attributable to (i) contract liabilities, which consist of prepaid tuition fees we received from students which have not been recognized as revenue; (ii) trade and other payables, which primarily consist of procurement fees for the purchase of materials and books relating to our tutoring services and accrued staff benefits and payroll; and (iii) borrowings, which primarily consist of our short-term bank borrowings. For additional information on our net current liabilities position, see "Financial Information — Current Assets and Current Liabilities" in this prospectus. We may continue to have net current liabilities in the future as our business expands. We cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements. In addition, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our network will not materially and adversely impact the current or future level of working capital.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As of December 31, 2016, 2017 and 2018, our deferred tax assets amounted to RMB2.2 million, RMB8.6 million and RMB13.5 million, respectively, which primarily represent tax losses, timing differences arising from changes in fair values of financial assets at fair value through profit and loss and deferred operating lease liabilities. For details of the movements of our deferred tax assets during the Track Record Period, see Note 26 to the Accountants' Report in Appendix I to this prospectus. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences and losses can be utilized. This requires significant judgment on the tax treatments of certain transactions and assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

Preferential tax treatment currently available to us could be discontinued or reduced.

In accordance with the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, Shenzhen Scholar enjoyed preferential tax treatments as it obtained its qualification as a high and new technology enterprise in December 2017 and is entitled to a preferential EIT rate of 15% for three years from 2017 to 2019. However, we cannot assure you that we will be able to continue to enjoy any further preferential tax treatment when such qualification expires, or that we will be able to pass the required assessment to qualify for preferential tax treatment. If we were not entitled to preferential tax treatment, the income tax expense would have increased by approximately nil, RMB4.0 million and RMB8.3 million for the years ended December 31, 2016, 2017 and 2018, respectively. For details, see "Financial

Information — Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income Tax Expense" and Note 11 to the Accountants' Report in Appendix I to this prospectus.

Our plan to establish and operate educational institutions in Hong Kong may not be successful.

With the aim of building our presence overseas and obtaining operational experience from abroad, we plan to establish and operate a learning center in Hong Kong. Please see "Structured Contracts — Background of the Structured Contracts — Plan to comply with the Qualification Requirement" and "Business — Our Planned Overseas Business" for further details.

However, we have no prior experience in operating a learning center in Hong Kong and are unfamiliar with the laws and regulations of Hong Kong. We may encounter barriers and challenges upon entering into such overseas markets, including failure to meet the relevant regulatory requirements, 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 learning center in Hong Kong, but we cannot assure you that we will be able to identify and hire suitable candidates or that we will be able to work effectively with them. It may also be 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 and we may need to make additional investment in developing our business overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investment we made. We cannot assure you that the establishment of such learning center in Hong Kong will be successful.

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

We consider our copyrights, trademarks, trade names and Internet domain names invaluable to our ability to continue to develop and enhance our brand recognition. Unauthorized use of our copyrights, trademarks, trade names and domain names may damage our reputation and brand. Our major brand names and logos are registered trademarks in China. Our proprietary curriculums and course materials are protected by copyrights. However, preventing copyright, trademark and trade name infringement or misuse could be difficult, costly and time-consuming, particularly in China. The measures we take to protect our copyrights, trademarks and other intellectual property rights are currently based upon a combination of trademark and copyright laws in China and may not be adequate to prevent unauthorized uses. Furthermore, application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our trademarks, copyrights and other intellectual property rights in the future, we may lose these rights, our brand name may be harmed, and our business may suffer materially. Furthermore, our management's attention may be diverted by violations of our intellectual property rights, and we may be required to enter into costly litigation to protect our proprietary rights against any infringement or violation.

We may encounter disputes from time to time relating to our use of the intellectual property of third parties.

We cannot assure you that our course materials or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. Our teachers may, against our policies, use third-party copyrighted materials without proper authorization in our classes or our students may post unauthorized third-party content on our websites. We may incur liability for unauthorized duplication or distribution of materials posted on our websites or used in our classes. Third parties may bring claims against us alleging our infringement of their intellectual property rights. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources.

Our business and operations are subject to seasonal fluctuations, which may cause our results of operations to fluctuate from term to term. This may result in volatility and adversely affect the price of our Shares.

Our revenue and operating results may fluctuate as a result of seasonal variations in our business, principally due to changes in student enrollments as a result of different lengths of terms and tutoring hours we offer on average during a term. For example, our tutoring services tend to have lower student enrollments in the summer and winter terms compared with fall and spring terms because summer and winter terms are shorter than fall and spring terms. However, our expenses vary, and certain of our expenses do not necessarily correspond with changes in our student enrollments and revenue. We expect to continue to experience seasonal fluctuations in our revenue and results of operations. The fluctuations may result in volatility or have an adverse effect on the results of our operations. In addition, comparisons of our operating results between different periods within a single financial year, or between the same periods in different financial years, may not be meaningful and should not be relied upon as good indicators of our performance.

We have limited insurance coverage which could expose us to significant costs and business disruption

The insurance industry in China is still at an early stage of development. In particular, Chinese insurance companies offer limited business insurance products to education service providers. We maintain insurance policies covering public liability and loss and damages to premises. We do not maintain any business interruption insurance, which is, as advised by our PRC Legal Advisor, not mandatory under the PRC laws. Consequently, we are exposed to various risks associated with our business and operations. We are exposed to risks including, but not limited to, accidents or injuries at our learning centers that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. Our business, financial condition and results of operations may be materially and adversely affected as a result.

System disruptions to our websites or computer systems or a leak of student data could damage our reputation and limit our ability to retain students and increase student enrollment.

The performance and reliability of our websites and computer systems is critical to our reputation and ability to retain students and increase student enrollment. Any system error or failure, or a sudden and significant increase in online traffic, could disrupt or slow access to our websites. We cannot assure you that we will be able to expand our online infrastructure in a timely and cost-effective manner to meet the increasing demands of our students and their parents. In addition, our computer systems store and process important information including, without limitation, class schedules, registration information and student data and could be vulnerable to interruptions or malfunctions due to events beyond our control, such as natural disasters and technology failures. For instance, we have in the past experienced interruptions to our operations due to temporary computer system failures. We may lose important student data or suffer disruption to our operations if there is a failure of our computer systems. Moreover, we would suffer economic and reputational damages if a technical failure of our systems causes a leak of student data, including identification or contact information, although there has not been any such leak in the past. Any disruption to our computer systems could therefore have a material adverse effect on our on-site operations and ability to retain students and increase student enrollments.

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

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

RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

We are a Cayman Islands company and thus, as advised by our PRC Legal Advisor, we are classified as a foreign enterprise under the PRC laws.

Even though foreign investment in K-12 after-school education is not explicitly prohibited, our Company is unable to independently or jointly operate K-12 after-school education as confirmed with the relevant authorities. See "Structured Contracts — Background of the Structured Contracts." Accordingly, we expect to continue to be dependent on our Structured Contracts to operate our business.

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

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of any of our PRC Operating Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and Structured Contracts to be in violation of PRC laws, rules and regulations.

Substantial uncertainties exist with respect to the enactment timetable, 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. The Foreign Investment Law stipulates four 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 and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, as advised by our PRC Legal Advisor, 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 prescribed by the State Council may regard contractual arrangements as a form of foreign investment, and then whether the Structured Contracts will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Structured Contracts will be handled are uncertain. Therefore, there is no guarantee that the Structured Contracts and the business of our PRC Operating Entities will not be materially and adversely affected in the future.

In the extreme case scenario, we may be required to unwind the Structured Contracts and/or dispose of the PRC Operating Entities, which could have a material and adverse effect on our business, financial conditions and results of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding or disposal or when such requirements 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, and our potential measures to maintain control over and receive economic benefits from our PRC Operating Entities, see "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in this prospectus.

The Structured Contracts may not be as effective in providing control over our PRC Operating Entities as direct ownership.

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

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

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

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

We may not be able to meet the Qualification Requirement.

Pursuant to the Foreign Investment Catalog and the Sino-Foreign Regulation and as confirmed by the education departments of Guangdong province and Xiamen, Fujian province, the foreign investor in Sino-foreign joint venture schools offering preschool, higher education, academic non-credential and secondary vocational education must be a foreign educational institution with relevant qualification and experience (the "Qualification Requirement") and hold less than 50% of the capital in a Sino-foreign educational institute (the "Foreign Ownership Restriction") and the domestic party must play a dominant role (the "Foreign Control Restriction"). Based on our consultation with the education departments of Guangdong province and Xiamen, Fujian province, the foreign investor should be an officially recognized educational institution which is entitled to issue diploma and generally has certain advantages over the PRC-invested educational institutions. As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating educational institutions outside of the PRC, we have taken concrete steps towards the compliance with the Qualification Requirement. See "Structured Contracts — Background of the Structured Contracts — Plan to Comply with the Qualification Requirement" in this prospectus for details.

Our PRC Legal Advisor is of the view that the steps taken by us to set up a learning center in Hong Kong is appropriate and reasonable. However, according to the consultation with the education departments of Guangdong province and Xiamen City, respectively, there are no implementing measures or specific guidance on the Qualification Requirement and they have not historically approved any application to establish a Sino-foreign Education Institution offering K-12 after-school education services.

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

Our exercise of the option to acquire the equity interest of Shenzhen Scholar may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Structured Contracts.

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

We are subject to additional amounts of PRC value-added tax and surcharge following the implementation of a variable interest entity structure, and the Structured Contract may be subject to scrutiny of PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operation and value of your investment.

Following the implementation of a variable interest entity structure with the execution of the Structured Contracts on January 13, 2019, we are subject to additional amounts of PRC value-added tax and surcharge. Our Directors consider that the additional amounts of PRC corporate income tax to which we are subject are insignificant, as both Shenzhen Fengye and most of our PRC Operating Entities are subject to PRC income tax at the same rate of 25%. If the Structured Contracts had been in effect during the Track Record Period, 25% of the net profit of our PRC Operating Entities in the form of private non-enterprise units and 10% of the net profit of our PRC Operating Entities in the form of limited liability companies would have been required to be retained for our PRC

Operating Entities' working capital as the development fund and the companies' statutory surplus reserve. We estimate, based on the prevailing laws and regulations up to date, that in the worst case scenario our net profit would have decreased by approximately 6.7%, 6.7% and 6.7% for the years ended December 31, 2016, 2017 and 2018, respectively. However, such impact is estimated without taking into consideration of potential tax preferential policies, potential tax reductions with respect to factors such as the operational costs and expenses primarily comprising employee benefits, rental expenses and other operating-related expenses that were incurred by Shenzhen Fengye in the process of providing corporate and education management consulting services as well as technical and business support services, as such mitigating factors cannot be estimated accurately at this moment.

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 Corporate Operation and Business Process Consultancy Service Agreement and the Exclusive Technical Service Agreement we have with our PRC Operating Entities does not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may have reason to believe that our subsidiaries or PRC Operating Entities are evading their tax obligations, and we may not be able to rectify such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

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

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity interests and/or assets of our PRC Operating Entities, award injunctive relief and/or order the winding up of our PRC Operating Entities. In addition, the Structured Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisor, under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our PRC Operating Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Structured Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in our PRC Operating 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 Operating Entities as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. Our PRC Legal Advisor is also of the view that, in case the Structured

Contracts provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may still not be recognized or enforced by PRC courts. As a result, in the event that our PRC Operating Entities or any of the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Operating Entities and conduct our education business could be materially and adversely affected. Please see "Structured Contracts — Dispute Resolution" in this prospectus for further details of the enforceability of the dispute resolution provisions in the Structured Contracts as opined by our PRC Legal Advisor.

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

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

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

We currently conduct our operations in China through Structured Contracts. As part of these arrangements, substantially all of our education-related assets, permits and licenses that are important to the operation of our business are held by our PRC Operating Entities. If any of these PRC Operating Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Operating Entities undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. As a result, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

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

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

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

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

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

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

In utilizing the proceeds of the Global Offering in the manner described in "Future Plans and Use of Proceeds" in this prospectus as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC Operating 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 Shenzhen Fengye, our PRC subsidiary and a foreign-invested enterprise, cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;

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

- capital contribution to our PRC Operating Entities 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 existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

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

The change in the value of Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may fluctuate and is affected by, among others, changes in China's political and economic conditions. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future. Our revenue and costs are mostly denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary and PRC Operating Entities. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our subsidiaries and PRC Operating Entities inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

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

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

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

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

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

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

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》(the "Arrangement"), which was revised on July 3, 2008. Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC.

Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

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

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiary. Pursuant to the EIT Law and the Implementation Rules of the EIT Law《中華人民共和國企業所得稅法實施條例》(the "Implementation Rules"), which became effective on January 1, 2008, if an enterprise incorporated outside the PRC has "de facto management bodies" in the PRC, such enterprise may be deemed as a "PRC resident enterprise" for tax purposes and will be subject to an enterprise income tax at the rate of 25% on its global income. "De facto management body" is defined as the body that substantially carries out comprehensive management and control of the business operation, personnel, accounts and assets of enterprises. In April 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》to clarify certain criteria for the determination of the "de facto management body" for foreign enterprises controlled by PRC enterprises. Such criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by institutions or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders'meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. There have been no official implementation rules regarding the determination of the "de facto management body" for foreign enterprise which is not controlled by PRC enterprises. Therefore, it remains unclear how the tax authorities will deal with a case like ours. We cannot assure you that we will not be considered as a PRC resident enterprise for PRC enterprise income tax purposes and may be subject to the 25% enterprise income tax on our global income.

Pursuant to the EIT Law and the Implementation Rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed as PRC resident enterprises are subject to a 10% withholding tax, unless otherwise reduced or exempted by relevant tax treaties or similar arrangements. In such cases, the value of such Foreign Shareholders'investment in our Shares sold in the Global Offering may be materially and adversely affected. Although the EIT Law provides that dividends paid between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividends paid by our PRC incorporated subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for PRC tax purposes.

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

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

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

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

SAFE has promulgated the Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(the "Circular 37") on July 4, 2014 to replace the Circular of SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(the "Circular 75"). According to the Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to SAFE or its local bureau to register foreign exchange for overseas investments before contributing to Special Purpose Vehicles (the "SPVs") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

As advised by our PRC Legal Advisor, Mr. Chen Qiyuan and all our PRC ultimate beneficial owners were required to make the foreign exchange registration under the Circular 37 and, as of the Latest Practicable Date, have completed such registration with SAFE or its local counterpart. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;

- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding private education industries and companies;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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

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$1.07 per Share (assuming an Offer Price of HK$4.16 per Offer Share, being the mid-point of our Offer Price range of HK$3.64 to HK$4.68 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our Offer Shares in the Global Offering may experience further dilution in their shareholding percentage.

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 555,700,000 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" in this prospectus for further details. However, the Underwriters may release these securities from these restrictions and such Shares will be freely tradable after the expiration of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 25.0% 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.

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

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$3.28 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$3.28, the estimated net proceeds we will receive from the Global Offering will be reduced to approximately HK$344.6 million assuming the over-allotment is not exercised and such reduced proceeds will be used as described in the "Future Plans and Use of Proceeds — Use of Proceeds" section of this prospectus.

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

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will together directly or indirectly hold an aggregate of approximately 63.36% of the issued share capital of our Company. 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. See "Expected Timetable" in this prospectus for details. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

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

Any future dividend declaration and distribution by our Company 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 that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. See "Financial Information — Dividend Policy" for more information.

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

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

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

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

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the F&S 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 F&S Report or are derived from various publicly available publications, which our Directors believe to be reliable.

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

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

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

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

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

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

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

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

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

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are 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 primarily 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. Qi Mingzhi, our executive Director, and Mr. So Wai Hang, our chief financial officer and company secretary. 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 mobile phone number, email address, correspondence address 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. All of them have confirmed that they possess valid travel documents to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

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

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Guotai Junan Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date; and

(d) our Company will ensure each Director who is not ordinarily resident in Hong Kong to confirm that he or she has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

CONTINUING CONNECTED TRANSACTIONS

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

GLOBAL OFFERING

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

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

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

The Offer Price is expected to be fixed among the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, June 17, 2019 and, in any event, not later than Wednesday, June 19, 2019 (unless otherwise determined between the parties). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company by Wednesday, June 19, 2019, the Global Offering will not become unconditional and will lapse immediately.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

See the section headed "Underwriting" for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering".

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, June 21, 2019. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

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

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed "Structure of the Global Offering". Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue and allot up to an aggregate of 18,735,000 Offer 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 compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

SHARE REGISTRAR AND STAMP DUTY

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.8787 to HK$1, the exchange rate prevailing on June 5, 2019 published by the PBOC for foreign exchange transactions and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8387 to US$1, being the latest available rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on May 31, 2019.

TRANSLATION

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

ROUNDING

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chen Qiyuan (陳啟遠)	6D, Building 7 Dongfang Zunyu No. 2018 Luosha Road Luohu District Shenzhen Guangdong Province China	Chinese
Mr. Chen Hongyu (陳弘宇)	30A, Building 4 Phase III, Baishida Garden No. 3033 Taibai Road Luohu District Shenzhen Guangdong Province China	Chinese
Mr. Qi Mingzhi (齊明智)	Room 1001, Block A Baocui Garden No. 2045 Golden Paddy Road Luohu District Shenzhen Guangdong Province China	Chinese
Mr. Xu Chaoqiang (許超強)	25C, Yuehua Court Huali Garden Luohu District Shenzhen Guangdong Province China	Chinese
Non-executive Director		
Mr. Shen Jing Wu (沈敬武)	Unit D, 65/F, Tower 1, Sorrento 1 Austin Road West Kowloon Hong Kong	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Huang Victor (黃偉德)	Flat A, 6/F, Block 9 Braemar Hill Mansions 31 Braemar Hill Road North Point Hong Kong	Chinese
Dr. Liu Jianhua (柳建華)	Room 803, Building A2 Fuli Yinxi Garden Yiqu Street, Binjiang East Road Haizhu District, Guangzhou Guangdong Province China	Chinese
Mr. Yang Xuezhi (楊學枝)	Room 2001, Building 9 Haixiti No. 37 Junzhu Road Mawei District Fuzhou Fujian Province China	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor . . . . CLSA Capital Markets Limited
18/F One Pacific Place
88 Queensway
Hong Kong

Joint Global Coordinators . . . . . . CLSA Limited
18/F One Pacific Place
88 Queensway
Hong Kong

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place, Central
Hong Kong

Joint Bookrunners	CLSA Limited 18/F One Pacific Place 88 Queensway Hong Kong
	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place, Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	China Everbright Securities (HK) Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Joint Lead Managers	CLSA Limited 18/F One Pacific Place 88 Queensway Hong Kong
	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place, Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

First Capital Securities Limited
Unit 4512, 45/F
The Center
99 Queen's Road Central
Hong Kong

Legal advisors to our Company . .

As to Hong Kong law:
Luk & Partners
In Association with
Morgan, Lewis & Bockius
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Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
King & Wood Mallesons
20th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing, 100020
China

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

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Allen & Overy** 9/F, Three Exchange Square 8 Connaught Place, Central Hong Kong *As to PRC law:* **JunHe LLP** 20/F, China Resources Building 8 Jianguomenbei Avenue Beijing China
Auditors and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai China
Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F, One Taikoo Place 979 King's Road Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Central Hong Kong
Compliance adviser	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central 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 PRC	Rm 2601, Building A, Excellence City II Zhongkang Road, Shangmeilin Futian District, Shenzhen China
Principal place of business in Hong Kong	Unit 02, 3/F, Austin Plaza No. 83 Austin Road Kowloon Hong Kong
Company's website	http://www.skledu.com *(information contained in this website does not form part of this prospectus)*
Company secretary	Mr. So Wai Hang (蘇偉恒) (a fellow member of the Hong Kong Institute of Certified Public Accountants) Flat A, 37/F, Tower 3 Florient Rise Kowloon Hong Kong
Authorized representatives	Mr. Qi Mingzhi (齊明智) 1001, Block A Baocui Garden No. 2045 Golden Paddy Road Luohu District Shenzhen Guangdong Province PRC Mr. So Wai Hang (蘇偉恒) Flat A, 37/F, Tower 3 Florient Rise Kowloon Hong Kong

Audit committee	Mr. Huang Victor *(chairman)* Dr. Liu Jianhua Mr. Yang Xuezhi
Remuneration committee	Dr. Liu Jianhua *(chairman)* Mr. Chen Qiyuan Mr. Huang Victor
Nomination committee	Mr. Chen Qiyuan *(chairman)* Dr. Liu Jianhua Mr. Huang Victor
Strategic development committee . . .	Mr. Chen Qiyuan *(chairman)* Mr. Shen Jing Wu Mr. Qi Mingzhi Mr. Yang Xuezhi
Principal Banks	**China Merchants Bank Co., Ltd.** **Shenzhen Cuizhu Branch** 1st Floor, Jade Starry Sky No. 1056 Cuizhu Road Luohu District Shenzhen, the PRC
	Industrial Bank Co., Ltd. **Shenzhen Jingtian Branch** No. 101, Juyou Pavilion Juhaoyuan Jingtian South Road Futian District Shenzhen, the 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** Shop 1712–1716 17th Floor Hopewell Center 183 Queen's Road East Wanchai Hong Kong

This section of this prospectus contains 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 as well as from the "F&S Report", an Independent Third Party. We believe that the sources of such information and statistics are appropriate sources 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 (other than Frost & Sullivan).

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 research and analysis of, and to produce a report on, the K-12 after-school education service market in China and in Shenzhen.

During the preparation of the F&S Report, Frost & Sullivan performed both primary research, which involved discussing the status of the industry with leading industry participants and industry experts, and secondary research, which involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database. Frost & Sullivan has conducted an independent customer survey of 825 respondents. The F&S Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period from 2019 to 2023; (iii) market drivers, such as Chinese families' attention on children's education and relaxation of one-child policy are likely to drive the growth of after-school education market in China; and (iv) all the data and information regarding our Company is provided by us.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB650,000 to Frost & Sullivan in connection with the preparation of the F&S Report. We have extracted certain information from the F&S Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

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

OVERVIEW OF K-12 AFTER-SCHOOL EDUCATION SERVICE MARKET IN CHINA

The K-12 education system in China comprises of three years in kindergartens, nine years of compulsory education in primary and middle schools, followed by three years in high schools. Students may then proceed to matriculate into colleges or universities.

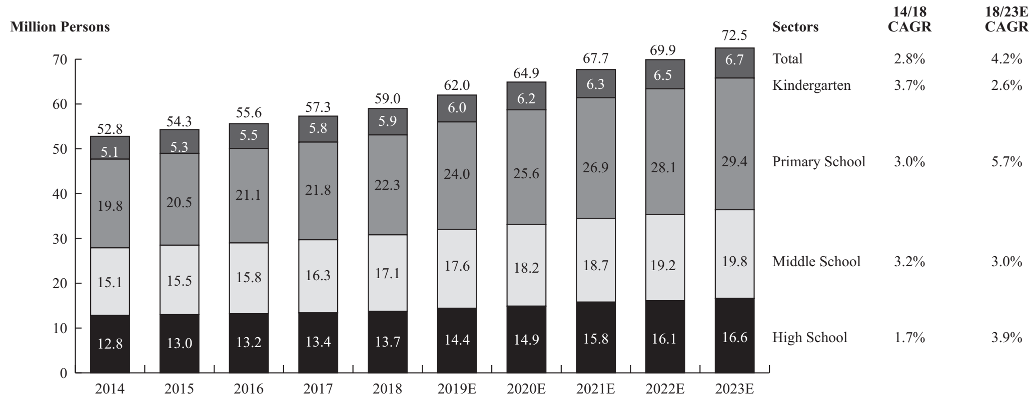
In order to be admitted to colleges in China, high school students are required to take Gaokao, which is the most critical set of examinations in a student's education as the results determine whether the students will be able to attend a highly-ranked college, or any at all. This in turn, has a significant impact on the student's future career prospects. In addition, there is a gap between the huge number of students and the limited number of quality universities in China. According to the F&S Report, in 2018, 9.8 million students attended Gaokao, among which 4.2 million students were admitted to universities and only 1.4 million students were admitted to first-tier universities. The acceptance rate in 2018 of four-year degree-granting colleges and the top 50 universities in China were 43.3% and 2.5%, respectively, both of which were lower than that of 57.0% and 20.2% in the United States, respectively.

Due to the fierce competition for quality undergraduate education in China, students prepared themselves fervently for the high school entrance examinations, or "Zhongkao", so that they can enter the best high schools in China to increase their chances for entering top universities. Prior to Zhongkao, they also compete to enter the best middle schools typically based on students' academic performance in primary schools. Therefore, in order to increase their changes of eventually being admitted to top universities, many students start working diligently at a very young age in the hope of excelling in the middle school entrance examinations (the "Xiao Sheng Chu" (小升初) process) and Zhongkao, for a spot in the schools of their choice.

Number of Students Enrolled in K-12 After-school Education Services in China

With growing pressure of quality education and high aspirations of better academic performance, an increasing number of parents choose after-school education services for their children at an early stage of K-12 education. K-12 after-school education has supplemented the regular in-school education, which helps students improve their classroom performance, deepen their knowledge acquired at schools and better prepare for school entrance examinations. The following chart sets forth the total number of students in K-12 after-school education service market in China.

Number of Students Enrolled in K-12 After-school Education Services (China), 2014–2023E

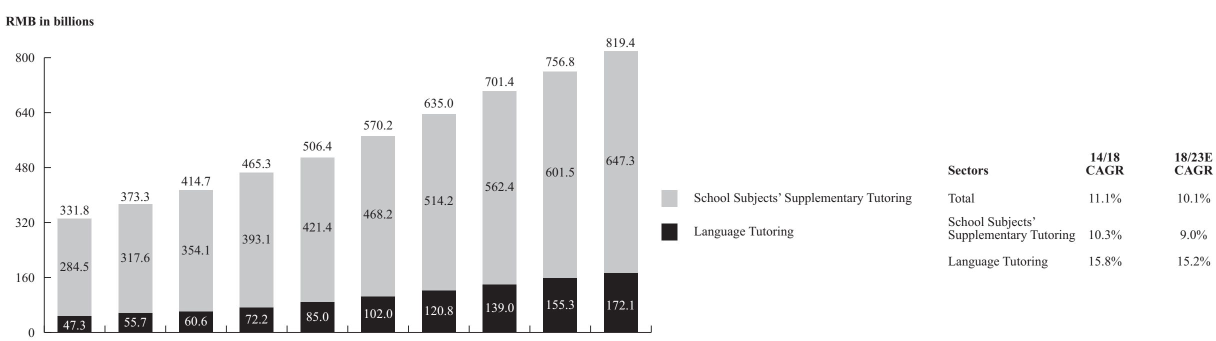


Source: Frost & Sullivan

Market Size of the K-12 After-school Education Services in China

According to the F&S Report, K-12 after-school education service market in China has experienced a rapid growth from 2014 to 2018. Revenue derived from the K-12 after-school education service market in China grew from RMB331.8 billion in 2014 to RMB506.4 billion in 2018, representing a CAGR of 11.1% from 2014 to 2018 and is expected to reach RMB819.4 billion in 2023, representing a CAGR of 10.1% from 2018 to 2023. The following chart sets forth the market size of K-12 after-school education service market by revenue.

Market Size of K-12 After-school Education Service Market by Revenue (China), 2014–2023E



Source: Frost & Sullivan

According to the F&S Report, the K-12 after-school education market in China can be classified into three categories in terms of class format:

- *One-on-one and small group class.* A small group glass usually consists of two to ten students. One-on-one and small group classes allow teachers to pay closer attention to individual students and offer relatively customized tutoring services based on students' specific study needs. The demand for highly tailored tutoring services increased rapidly primarily due to an increase in the number of high-income families in China. In 2018, this segment represented an estimated market size of RMB258.6 billion in terms of revenue, according to the F&S Report, and is expected to continue to increase from 2018 to 2023 at a CAGR of 10.7%.

- *Regular class.* A regular class, which consists of 11 to 30 students has gradually become popular as it provides students and teacher with appropriate and sufficient interaction opportunities. Highly qualified teachers are more likely to be assigned to teach regular classes as the regular classes have a relatively higher gross margin. According to the F&S Report, revenue generated from regular classes was RMB210.6 billion in 2018, and is expected to continue to grow and reach RMB357.3 billion in 2023, representing a CAGR of 11.2% from 2018 to 2023.

- *Mass class.* A mass class generally accommodates more than 30 students in one classroom. As the most traditional form of K-12 after-school education classes, mass classes provide basic tutoring services to cost conscious families as large enrollments share the costs. However, the mass class segment has become less popular due to teachers' less attention to individual students' performance and insufficient interaction between teachers and students. According to the F&S Report, revenue generated from mass classes in K-12 after-school education service market was RMB37.2 billion in 2018. As a result of the increasingly stringent regulations on operation standards of K-12 after-school education services, such as the minimum average area per student for learning centers, the market share of mass classes is expected to decrease at a CAGR of 3.0% from 2018 to 2023.

Key Drivers and Restraints of K-12 After-school Education Service Market in China

The development of K-12 after-school education market in China is primarily driven by the following factors:

- *Increase in income and wealth.* With the increase in disposable income of Chinese families and the improvement of living standards in China, Chinese parents are willing to spend more on students' education, which sustains the growing demand for after-school education services. Per capita expenditure on education in China increased from RMB624 in 2014 to RMB899 in 2018, representing a CAGR of 9.6%, and is expected to reach RMB1,358 in 2023, representing a CAGR of 8.6% from 2018 to 2023. According to the F&S Report, expenditure on after-education education has become the second largest category among all kind of expenditures on education, representing 43.0% of China's household expenditure on education in 2018.

- *Strong emphasis on academic excellence among Chinese parents.* Chinese culture has regarded education as a means of enhancing an individual's worth and promoting his or her social status. Given the fierce competition for admission into reputable schools and colleges in China, many parents choose after-school education services to assist their children in better mastering the schoolwork.

- *Implementation of the universal two-child policy.* With the relaxation of the "one-child policy" in China in 2013 and the implementation of the "two-child policy" in 2016, the birth rate is expected to grow, leading to an increase of school-age population who may need after-school education services in the near future.

- *Recurring demand for services.* Repurchasing of education services is quite common in K-12 after-school education service market as students need different after-school education in different phases during their K-12 education.

According to the F&S Report, K-12 after-school education market also faces uncertainties. For instance, the MOE has issued a series of demanding regulations with regard to strict standards of establishment and operating of K-12 after-school learning centers. As a result, small scaled education institutions with difficulty in compliance will be forced to gradually exit the market.

Cost Structure of K-12 After-school Education Service Market in China

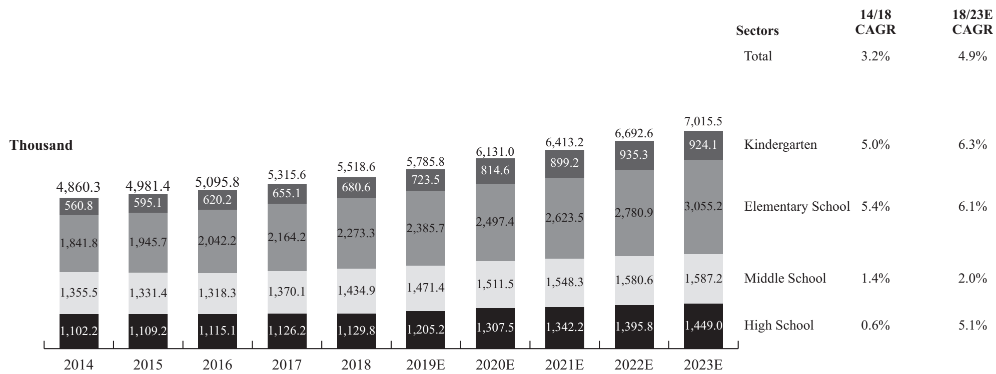
According to the F&S Report, teaching staff costs, which primarily represent compensations paid to teachers, are the largest component of total cost of revenue of K-12 after-school education services, accounting for 60% to 70%. Rental and facility maintenance expenses for learning centers account for 20% to 30% of total cost of revenue of K-12 after-school education services. Other costs, which include depreciation and amortization, expenditure on procuring teaching materials and other miscellaneous fees account for the remaining 2% to 10% of total cost of revenue.

OVERVIEW OF K-12 AFTER-SCHOOL EDUCATION SERVICE MARKET IN GUANGDONG PROVINCE

Number of Students Enrolled in K-12 After-school Education Services in Guangdong Province

According to the F&S Report, the number of students enrolled in K-12 after-school education services in Guangdong province increased from approximately 4.9 million in 2014 to approximately 5.5 million in 2018, representing a CAGR of 3.2% from 2014 to 2018 and is expected to continue to grow and reach 7.0 million in 2023 with a CAGR of 4.9% from 2018 to 2023. Compared with the nationwide market, total number of students enrolled in the K-12 after-school education services in Guangdong province grew at a higher CAGR from 2014 to 2018 and is expected to keep growing at a higher CAGR during 2018 to 2023. According to the F&S Report, due to the insufficient high quality educational resources and relatively high personal income, the penetration rate of K-12 after-school education services, which represents the ratio of the total number of students in K-12 after-school education services to the total number of students in K-12 education industry, is also expected to grow at a higher rate in Guangdong province as compared to the growth of the nationwide penetration rate. The following chart sets forth the number of students enrolled in K-12 after-school education services in Guangdong province.

Number of Students Enrolled in K-12 After-school Education Services (Guangdong), 2014–2023E



Source: Frost & Sullivan

Market Size of the K-12 After-school Education Service in Guangdong Province

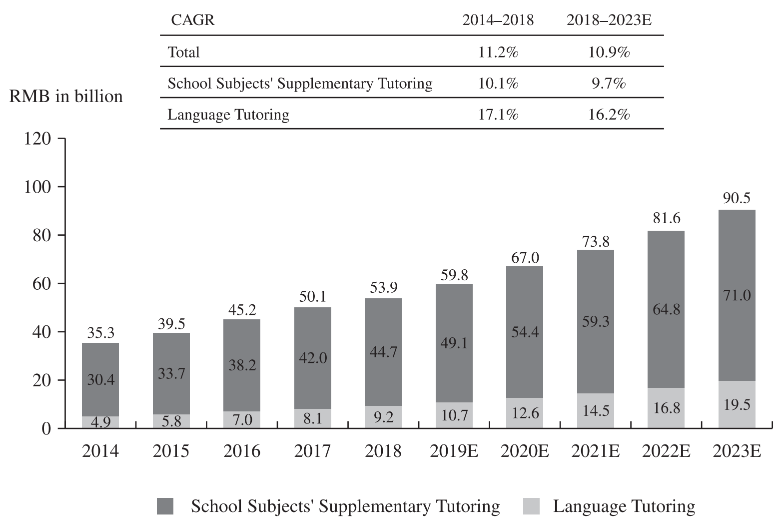
K-12 after-school education service market in Guangdong province has experienced rapid growth from 2014 to 2018. Revenue generated from the K-12 after-school education service market in Guangdong province grew from RMB35.3 billion in 2014 to RMB53.9 billion in 2018, representing a CAGR of 11.2% from 2014 to 2018, and is expected to continue to grow and reach RMB90.5 billion in 2023, representing a CAGR of 10.9% from 2018 to 2023. Market size of the K-12 after-school education service market as measured by revenue in Guangdong province grew at a higher CAGR during 2014 to 2018 compared with the CAGR nationwide during the same periods. It is expected to continue to grow at a CAGR of 10.9% from 2018 to 2023 in Guangdong province, which is a higher growth rate compared with the expected CAGR nationwide from 2018 to 2023.

According to the F&S Report, market size of the K-12 after-school education service market in tier one and tier two cities witnessed rapid growth from 2014 to 2018 in Guangdong province. The market size of tier one cities in Guangdong province, namely Shenzhen and Guangzhou, grew at the fastest rate, which was 14.5% from 2014 to 2018.

As students become more focused on the customized after-school education services, one-on-one and small group classes have been gradually taking more shares in the K-12 after-school education service market in Guangdong province. According to the F&S Report, from 2014 to 2018, the market size of one-on-one and small group classes in Guangdong province grew with a CAGR of 11.6% from RMB17.8 billion in 2014 to RMB27.6 billion in 2018 and is expected to continue to grow and reach RMB47.6 billion in 2023, representing a CAGR of 11.5% from 2018 to 2023. The market size of regular classes in Guangdong province grew with a CAGR of 12.8% from RMB14.0 billion in 2014 to RMB22.7 billion in 2018, and is expected to continue to grow and reach RMB39.8 billion in 2023 at a CAGR of 11.9% from 2018 to 2023.

The following chart sets forth the market size of K-12 after-school education service market by revenue in Guangdong province.

Market Size of K-12 After-school Education Service Market by Revenue (Guangdong), 2014–2023E



Source: Frost & Sullivan

Key Driver of K-12 After-school Education Service Market in Guangdong Province

The development of the K-12 after-school education service market in Guangdong province is driven by the following factors:

- *Favorable economic environment*. The GDP and disposable income per capita of Guangdong grew steadily from 2014 to 2018, which have driven increasing household expenditure on education in these provinces. In 2018, Guangdong province ranked first in terms of GDP, and held a leading position nationwide as measured disposable income per capita. Remarkable economy achievements in Guangdong significantly drive the development of its education service market. In addition, due to the formulation and implementation of favorable policies relating to the Greater Bay Area, the promising economic growth in Guangdong province is expected to continue and to create a favorable macro environment for the education industry.

- *Increase in tuition fee rates*. The increase in tuition fee rates also contributes to the growth of the K-12 after-school education service market in Guangdong province. According to the F&S Report, the average tuition fee per hour for the K-12 after-school education service market in Guangdong province increased from RMB44.6 in 2014 to RMB53.3 in 2018, representing a CAGR of 4.6%, and is expected to continue to increase and reach RMB62.0 in 2023, representing a CAGR of 3.1% from 2018 to 2023.

- *Large and growing student base*. The number of students enrolled in formal K-12 education in Guangdong province increased from 18.0 million in 2014 to 19.9 million in 2018 and is expected to reach 22.7 million in 2023. Guangdong had the second largest number of students enrolled in formal K-12 education and students registered for Gaokao, only next to Henan province in 2018. Given the enormous and growing number of student base, the K-12 after-school education service market in Guangdong province is expected to continue to grow.

- *Intense competition for educational resources.* Due to the large and growing student base, students in Guangdong province face intense competition for educational resources. The acceptance rate of universities in Guangdong province in 2018 was 39%, lower than national average of 43%. In addition, the acceptance rate of universities in Guangdong province was significantly lower than that in other developed regions. For Beijing, Shanghai, Jiangsu province and Zhejiang province, the acceptance rate was 61%, 71%, 59% and 47%, respectively, in 2018. In an effort to survive the competition, more K-12 students are expected to attend after-school education aiming to enhance their competitiveness.

Entry Barriers to K-12 After-school Education Service Market in Guangdong Province

- *Government regulations*: Pursuant to the government regulations, all K-12 after-school education service providers shall obtain school operation permits and business licenses (or certificate of legal representative, certificate of registration of private non-enterprise entity) before carrying out training activities; and those service providers shall obtain approvals from education administration authorities at the county level to establish branches or learning centers. Market entrants have to meet a series of strict requirements to obtain school operation permits and other licenses or certificates.

- *Research and development capabilities*: Teaching quality, which is highly valued by students and parents, depends on K-12 after-school service providers' research and development capabilities. For existing K-12 after-school service providers, they have invested significant amounts of capital, time and human resources in enhancing their research and development capabilities and accumulated abundant and high quality teaching contents. For market entrants, it is time and capital consuming to build and strengthen their research and development capabilities.

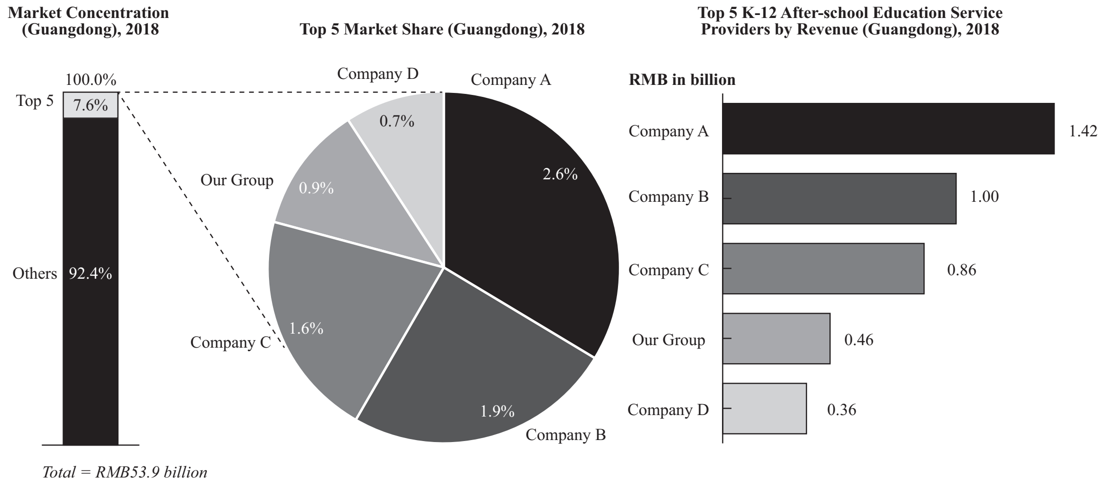
- *Brand awareness*: Parents and students still incline to choose K-12 after-school education service providers who have well-known brand and long-term operation records, which to some extent imply that services offered by those K-12 after-school education service providers are widely recognized by parents and students. New entrants do not have such strength in brand awareness.

Competitive Landscape of K-12 After-school Education Service Market in Guangdong Province

According to the F&S Report, there were approximately 21,000 K-12 after-school education service providers in Guangdong province in 2018, and the K-12 after-school education service market is highly fragmented in Guangdong province. The top five players accounted for 7.6% of the total K-12 after-school education service market in Guangdong province in terms of revenue in

2018. We ranked fourth in terms of revenue in 2018 in Guangdong province with a market share of 0.9%. We ranked fourth in terms of total student enrollments in 2018 in Guangdong province with total students enrollments of approximately 223,600 in Guangdong province.

The market share in terms of revenue and student enrollments of top five players in the K-12 after-school education service market in Guangdong province is set out below.



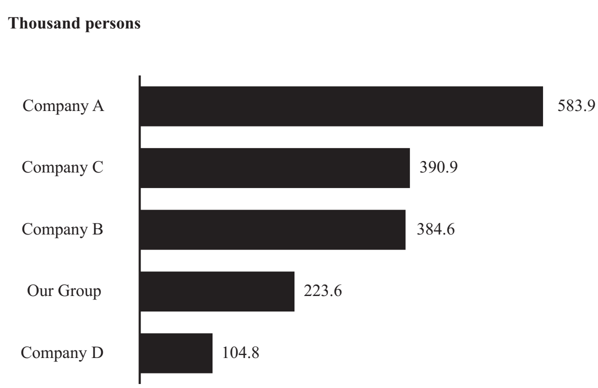
Notes:

(1) Revenue refers to an institution's revenue generated by its teaching schools in Guangdong province for the year ended December 31, 2018. Institutions providing language training only are included.

(2) Revenue of our Group used in ranking represents revenue derived from our academic preparation program in Guangdong province.

Source: Frost & Sullivan

Top 5 K-12 After-school Education Service Providers by Student Enrollments (Guangdong), 2018

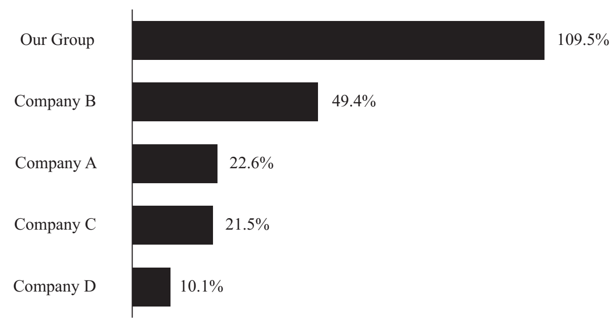


Note: The number of student enrollments of our Group excludes student enrollments in early primary education program and our student enrollments in Fujian province. It only takes into account our student enrollments in academic preparation program in Guangdong province.

Source: Frost & Sullivan

In addition, according the F&S Report, we ranked first in terms of CAGR of revenue generated from the K-12 after-school education services during 2015 to 2018 among top five players in Guangdong province. Capitalizing on our effective expanding strategy, brand awareness and quality services, our revenue generated from the K-12 after-school education services grew at a CAGR of 109.5% from 2015 to 2018. The following chart sets forth the CAGR of revenue of top 5 K-12 after-school education service providers in Guangdong province from 2015 to 2018.

CAGR of Revenue of Top 5 Providers (Guangdong), 2015–2018



Source: Frost & Sullivan

Reason for High Growth Rate of Our Group Compared with Competitors

We achieved a higher revenue growth rate in 2015 to 2018 than our competitors, primarily because we had a relatively smaller revenue base. The following factors also contributed to our high revenue growth rate during 2015 to 2018.

- *Rapid increase in learning centers*: The number of our learning centers in Guangdong province and Shenzhen rapidly increased at a higher growth rate during 2015–2018, compared with other top players in Guangdong province and Shenzhen, leading to the higher growth rate of the capacity of our learning centers.

- *Effective marketing and student recruitment strategies*: We recruit students primarily through word-of-mouth referrals, trial courses, parent seminars, and to a lesser extent advertisement through the Internet and traditional media. According to a customer survey conducted by Frost & Sullivan in July 2018, we ranked second in terms of the percentage of respondents who heard of our Group in Shenzhen and Dongguan, respectively. Due to the effective marketing and student recruitment strategies in Guangdong province and Shenzhen, we experienced significant growth in student enrollments from 2015 to 2018.

- *Industry-leading brand recognition*: Industry-leading brand recognition also contributed to our rapid revenue growth from 2015 to 2018 in Guangdong province and Shenzhen. We have achieved industry-leading brand recognition in terms of the net promoter score in Shenzhen, Dongguan and Foshan, according to a survey of customers of K-12 after-school education services in Shenzhen, Dongguan and Foshan conducted by Frost & Sullivan in July 2018.

Demand for the new curriculums that we plan to offer

According to the F&S Report, it is an important expansion strategy for K-12 after-school education service providers to diversify its course offerings to satisfy various needs of students at different education phases. As history and politics are two of the critical subjects that are tested in Gaokao, many high school students take after-school tutoring courses to enhance their understanding in these subjects and improve their performance in examinations. In addition, with the rapid development of artificial intelligence-related industries and government support on promoting artificial intelligence education at schools, an increasing number of students tend to take artificial intelligence curriculums as they are of the view that in-depth understanding and practical skills in artificial intelligence technologies is the key factor that differentiate themselves from others.

OVERVIEW OF K-12 AFTER-SCHOOL EDUCATION SERVICE MARKET IN SHENZHEN

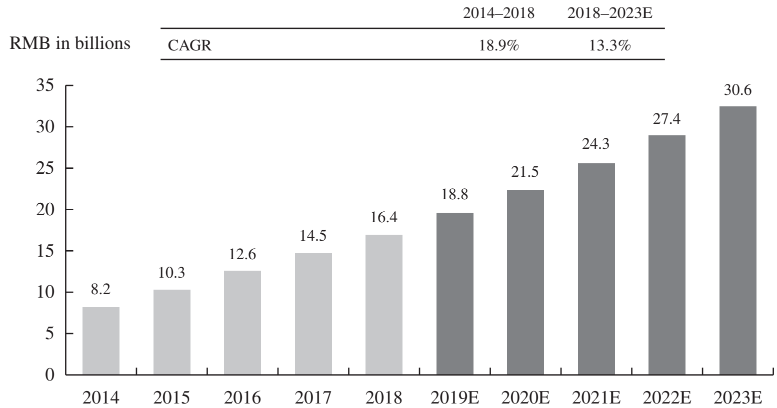
Number of Students Enrolled in K-12 After-school Education Services in Shenzhen

According to the F&S Report, the number of students enrolled in K-12 after-school education services in Shenzhen increased from approximately 915,800 in 2014 to approximately 1.3 million in 2018, representing a CAGR of 8.9% from 2014 to 2018 and is expected to continue to grow and reach approximately 1.7 million in 2023 with a CAGR of 5.4% from 2018 to 2023. As one of the tier one cities in China with the most prosperous business activities, Shenzhen has attracted a lot of non-native residents to work there. Children of these non-native residents usually choose to receive education in Shenzhen, which has driven the growth of the number of students in K-12 education in Shenzhen. In addition, since high quality education resources, which are usually provided by public schools in Shenzhen are scarce, a growing number of K-12 students choose to take after-school courses to enhance their competitiveness in relevant entrance examinations.

Market Size of K-12 After-school Education Services in Shenzhen

K-12 after-school education service market in Shenzhen grew rapidly from 2014 to 2018, primarily attributable to the increasing number of students in K-12 education, growing penetration of K-12 after-school education and rising expenditure on after-school education services. Revenue generated from the K-12 after-school education service market in Shenzhen grew from RMB8.2 billion in 2014 to RMB16.4 billion in 2018, representing a CAGR of 18.9% from 2014 to 2018, and is expected to reach RMB30.6 billion in 2023 with a CAGR of 13.3% from 2018 to 2023. The following chart sets forth the market size of K-12 after-school education service market by revenue in Shenzhen.

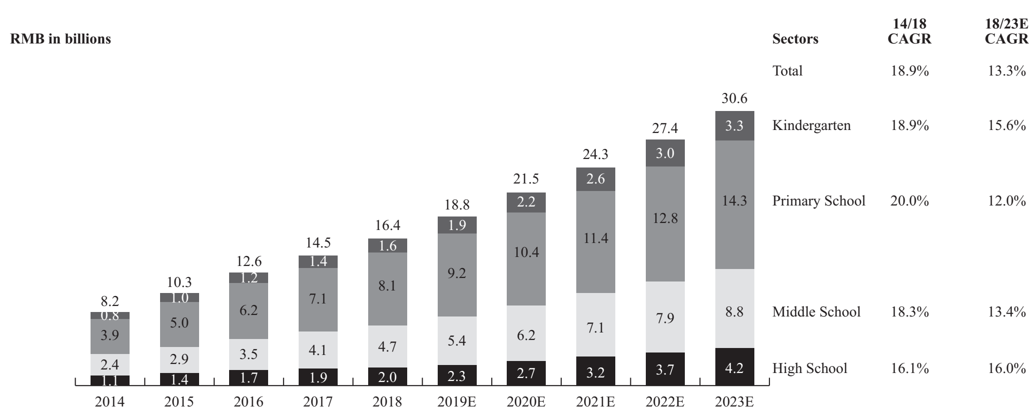
Market Size of K-12 After-school Education Service Market by Revenue (Shenzhen), 2014–2023E



Source: Frost & Sullivan

The chart below sets forth the market size of K-12 after-school education service market in Shenzhen by grade.

Market Size Breakdown by Grade of K-12 After-school Education Service Market, by Revenue (Shenzhen), 2014–2023E



Source: Frost & Sullivan

Key Drivers of K-12 After-school Education Service Market in Shenzhen

- *Favorable macro environment*: Shenzhen's nominal GDP increased steadily from RMB1,644.9 billion in 2014 to RMB2,422.2 billion in 2018, representing a CAGR of 10.2% from 2014 to 2018, higher than the national average nominal GDP growth rate for the same period. Shenzhen ranked first in terms of both nominal GDP and per capita nominal GDP in 2018 among all cities in Guangdong province. In addition, the per capita personal disposable income of Shenzhen increased from RMB40,900 in 2014 to RMB57,500 in 2018, representing a CAGR of 8.9% in the same period. The steady growth of Shenzhen's macro economy promotes the development of the K-12 after-school education service market in Shenzhen.

- *Increase in tuition fee rates*: The increase in tuition fee rates also contributes to the growth of the K-12 after-school education service market in Shenzhen. According to the F&S Report, the average tuition fee per hour for the K-12 after-school education service market in Shenzhen increased from RMB54.9 in 2014 to RMB70.1 in 2018, representing a CAGR of 6.3%, and is expected to continue to increase and reach RMB85.4 in 2023, representing a CAGR of 4.0% from 2018 to 2023.

- *Rapid growth of student base*: The number of students enrolled in formal K-12 education in Shenzhen increased from approximately 1.6 million in 2014 to 2.0 million in 2018, representing a CAGR of 6.2% from 2014 to 2018, which is much higher than the growth rate of the number of students of China's formal K-12 education for the same period, and is expected to reach 2.5 million in 2023. Meanwhile, the number of students enrolled in K-12 after-school education services in Shenzhen also steadily increased from 2014 to 2018 and is expected to continue to increase in the forecast period.

- *Increasing households' expenditure on K-12 after-school education services*: Along with the increase in per capita personal disposable income of Shenzhen and parents' increasing willingness to invest in children's education, the households' expenditure on K-12 after-school education services in Shenzhen continuously increased in the past. And the increase in households' expenditure on K-12 after-school education services in Shenzhen is expected to continue in the forecast period, which will contribute to the future growth of the K-12 after-school education service market in Shenzhen.

Entry barriers to K-12 After-school Education Service Market in Shenzhen

- *Government regulations*: Government authorities of Shenzhen have stipulated a series of requirements on the establishment of K-12 after-school education service institutions. Meanwhile, with the implementation of the new education regulations, including the State Opinion 80 and the Circular 10, it becomes more difficult and costly for market entrants to provide K-12 after-school education services in Shenzhen.

- *Proven learning results of students*: According to the consumer survey conducted by F&S in Shenzhen in July 2018, the "learning results of students" is the most important factor that affects parents' choice on choosing K-12 after-school education service providers. Compared with the existing market players, market entrants can hardly provide information in relation to the learning results of their students to persuade parents to choose their services.

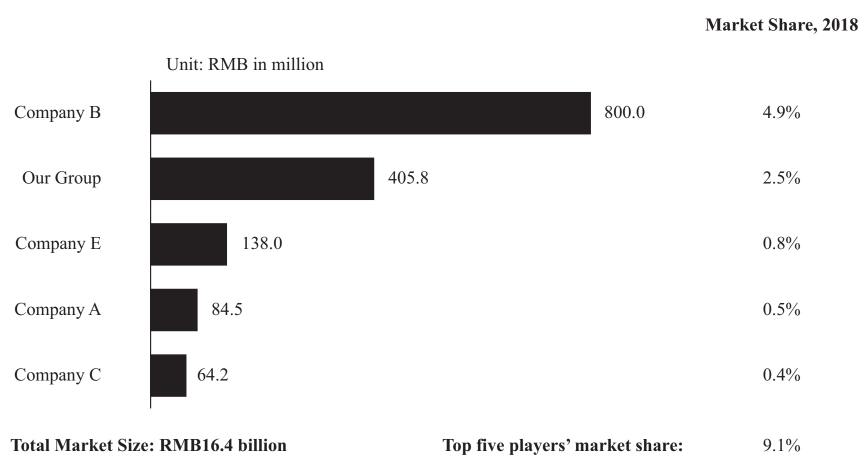
- *Brand awareness*: Parents and students still incline to choose K-12 after-school education service providers who have well-known brand and long-term operation records, which to some extent imply that services offered by those K-12 after-school education service providers are widely recognized by parents and students. New entrants do not have such strength in brand awareness.

Competitive Landscape of K-12 After-school Education Service Market in Shenzhen

According to the F&S Report, there were approximately 4,350 K-12 after-school education service providers in Shenzhen in 2018, and the K-12 after-school education service market is highly fragmented in Shenzhen, with top five players accounting for only 9.1% of the total K-12 after-school education service market in terms of revenue in 2018. We are the fastest growing K-12 after-school education service provider in Shenzhen among top five players, as measured by CAGR of revenue from 2015 to 2018, which was 101.1%. We are also the second largest K-12 after-school education service provider in Shenzhen in terms of revenue and total student enrollments in 2018, with a market share of 2.5% measured by revenue and total student enrollments of approximately 187,600 in Shenzhen, respectively.

The market share in terms of revenue and student enrollments of top five players in the K-12 after-school education service market Shenzhen is set out below.

Top 5 K-12 After-school Education Service Providers in terms of Revenue (Shenzhen), 2018



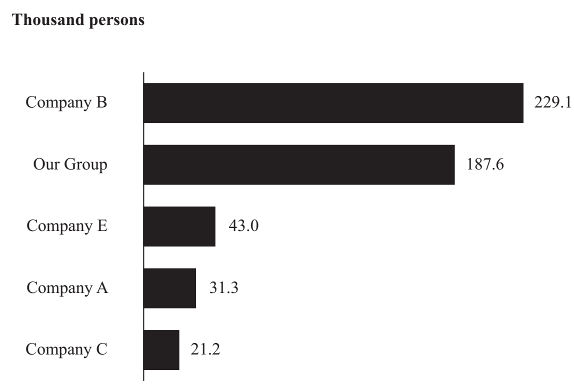
Notes:

(1) Revenue refers to an institution's revenue generated from K-12 after-school education services in Shenzhen for the year ended December 31, 2018.

(2) Revenue of our Group used in ranking excludes revenue derived from early primary education program in Shenzhen.

Source: Frost & Sullivan

Top 5 K-12 After-school Education Service Providers by Student Enrollments (Shenzhen), 2018



Note: The number of student enrollments of our Group excludes our student enrollments in early primary education program and only takes into account student enrollments in academic education program in Shenzhen.

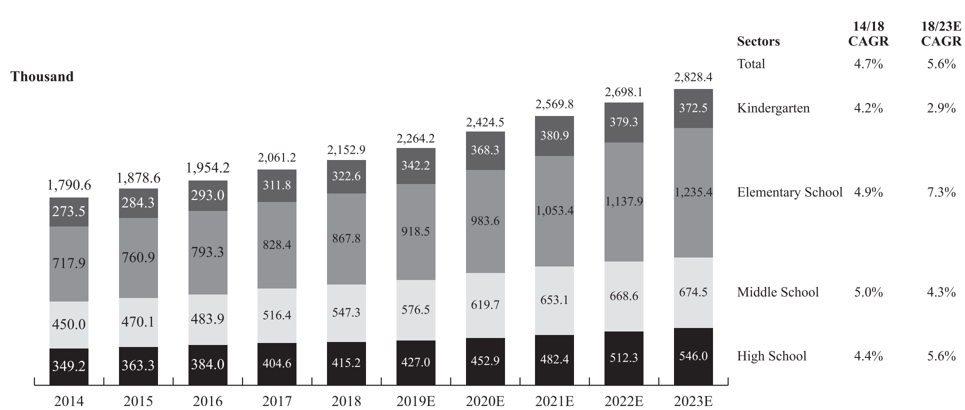
Source: Frost & Sullivan

OVERVIEW OF K-12 AFTER-SCHOOL EDUCATION SERVICE MARKET IN FUJIAN PROVINCE

Number of Students Enrolled in K-12 After-school Education Services in Fujian Province

According to the F&S Report, the number of students enrolled in K-12 after-school education services in Fujian province increased from 1,790.6 million in 2014 to 2,152.9 million in 2018, representing a CAGR of approximately 4.7% from 2014 to 2018, and is expected to continue to grow and reach 2,828.4 million in 2023 with a CAGR of 5.6% from 2018 to 2023. The following chart sets forth the number of students enrolled in K-12 after-school education services in Fujian province.

Number of Students Enrolled in K-12 After-school Education Services (Fujian), 2014–2023E

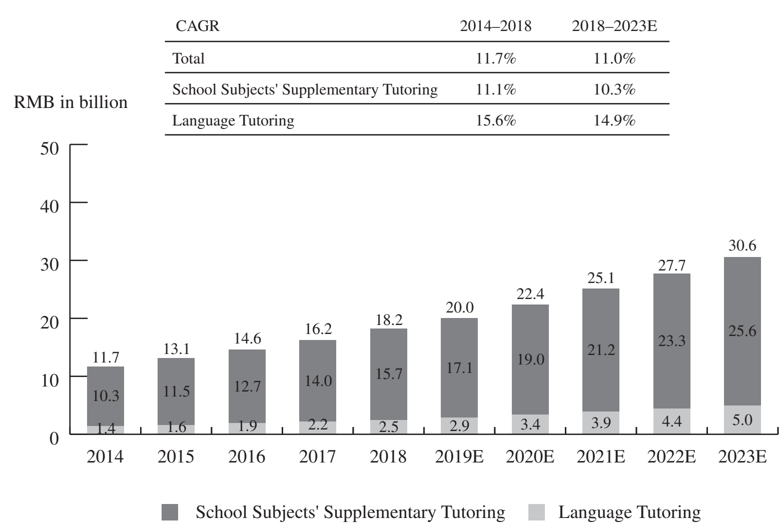


Source: Frost & Sullivan

Market Size of K-12 After-school Education Service in Fujian Province

According to the F&S Report, the K-12 after-school education service market in Fujian province is highly fragmented with no dominant market player as of December 31, 2018. Driven by increases in the number of students enrolled in after-school education services and per student spending on after-school education services, the market size of K-12 after-school education service market in Fujian province increased from RMB11.7 billion in 2014 to RMB18.2 billion in 2018, representing a CAGR of 11.7% from 2014 to 2018, and is expected to continue to grow and reach RMB30.6 billion in 2023 with a CAGR of 11.0% from 2018 to 2023, according to the F&S Report. The following chart sets forth the market size of K-12 after-school education service market by revenue in Fujian province.

Market Size of K-12 After-school Education Service Market by Revenue (Fujian), 2014–2023E



Source: Frost & Sullivan

Competitive Landscape of K-12 After-school Education Service Market in Fujian Province

According to the F&S Report, there were approximately 4,300 K-12 after-school education service providers in Fujian province as of December 31, 2018. The K-12 after-school education service market in Fujian province is highly fragmented with top five players accounting for only 5.2% market shares as measured by revenue in 2018. Our revenue derived from K-12 after-school education services in Fujian province was approximately RMB12.6 million in 2018, with the market share of 0.07%. Our student enrollments in K-12 after-school education services in Fujian province were 15,156 for the year ended December 31, 2018.

OTHER EDUCATION SERVICES MARKET IN CHINA

Extra-curricular Activity Market in China

Extra-curricular activities refer to activities that fall outside the realm of the normal curriculum of school education and are conducted by students outside formal school education.

Extra-curricular activities, which generally focus on nurture students' all-round development, have become a critical component of students' application for kindergartens, primary schools and overseas colleges.

In addition, the MOE and many provincial education departments have promulgated policies with regard to providing quality after-school services to students. In Guangdong province, according to Guiding Opinions of the Education Department of Guangdong Province on Providing After-school Services to Students in Schools (廣東省教育廳關於做好中小學生校內課後服務工作的指導意見), formal primary and middle schools are encouraged to cooperate with private extra-curricular activity providers, while the latter can provide after-school services to students.

According to the F&S Report, driven by the increasing demand of children's all-round development, the total revenue generated from the extra-curricular activity market increased from RMB196.5 billion in 2014 to RMB364.5 billion in 2018, representing a CAGR of 16.7%. It is projected to reach RMB747.3 billion in 2023 with a CAGR of 15.4% from 2018 to 2023. The total number of students enrolled in extra-curricular activities increased at a CAGR of 9.5% from 2014 to 2018 and is projected to increase at a CAGR of 10.2% from 2018 to 2023. We provide early primary education program under "Le Xue" (樂學) brand, offering childhood education courses and hobby courses such as languages and performing arts to students from Grade One to Grade Three. For the years ended December 31, 2016, 2017 and 2018, revenue generated from our early primary education program amounted to RMB4.0 million, RMB15.7 million and RMB17.4 million, respectively.

IMPACT OF NEW EDUCATION REGULATIONS ON THE CHINA MARKET

According to the F&S Report, new education regulations promulgated by the Chinese government in 2018 are expected to have the following impact on the China market:

- *Exit of unqualified small-sized institutions*: China's K-12 after-school education service market is highly fragmented and a lot of market players are small-sized institutions with limited capabilities to fully comply to government regulations. Due to the stringent regulations stated in the new education regulations, including the State Council Opinions 80 and the Circular 10, many small-sized market players are expected to exit the market for failing to meet such requiting requirements.

- *Increase in compliance costs for market participants*: In an effort to comply with those stringent regulatory requirements on various aspects such as fire safety and teachers' qualifications, extra compliance costs would be required for K-12 after-school education service providers.

- *Industry consolidation*: Along with the exits of unqualified small-sized market players, qualified market players are expected to occupy more market shares given that the demands for K-12 after-school education services are still growing.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment Law of the PRC

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 four 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; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

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.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN EDUCATION

Foreign Investment Industries Guidance Catalogue (Amended in 2017)

The Foreign Investment Industries Guidance Catalogue (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂), the "Foreign Investment Catalogue") was amended and promulgated by the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會, the "NDRC") and the Ministry of Commerce of the PRC (中華人民共和國商務部, the "MOFCOM") on June 28, 2017 and became effective from July 28, 2017. On June 28, 2018, the NDRC and the MOFCOM jointly issued the List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單) (2018年版)》, the "Negative List"), which became effective on July 28, 2018 and sets forth management measures for the market entry of foreign investors, such as equity requirements and senior manager requirements. According to the Negative List, foreign investors shall comply with such restrictive requirements when engaging in the restricted activities listed in the Negative List. In addition, according to the Negative List, foreign investors shall not engage in the prohibited activities listed in the Negative List. Under the Negative List, the provision of pre-school, ordinary senior high school and higher education services ("學前教育," "普通高中" and "高等教育," respectively) in the PRC is under the category of "restricted industries" for foreign investors. Foreign investments in such education institutions are only allowed in the form of sino-foreign cooperative educational institutions in which the domestic party shall play a dominant role. It suggests that the principal or the chief executive officer of an education institution shall be a PRC national and the representatives of the domestic party shall account for no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of a sino-foreign cooperative educational institution. The Negative List further provides that foreign investors are prohibited from providing compulsory education (義務教育) services. However, the provision of K-12 after-school education services is not expressively included as one of the restricted industries listed in the Negative List.

Regulation on Operating Sino-foreign Schools of the PRC

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》, the "Sino-foreign Regulations"), which was promulgated by the State Council on March 1, 2003 and became effective from September 1, 2003 and was most recently amended on March 2, 2019, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) which was promulgated by the Standing Committee of the National People's Congress on December 28, 2002 and was most recently amended on December 29, 2018 and became effective from December 29, 2018, and the Implementing Rules for the Regulations on Operating Sino-foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》), which were issued by the MOE on June 2, 2004 and became effective from July 1, 2004.

Pursuant to the Sino-foreign Regulations, foreign investors must establish and operate educational institutions with target students being mainly PRC citizens (the "Sino-foreign Education Institutions," and each a "Sino-foreign Education Institution") through a sino-foreign joint venture with a domestic partner. The Sino-foreign Regulations also provides that all the Sino-foreign Education Institutions shall be approved by the competent education authorities, and the representatives of the domestic party shall make up no less than half of the number of total members of the board of directors, the executive council or the joint administration committee of a Sino-Foreign Education Institution. Besides, the foreign investor in a Sino-Foreign Education Institution shall be a foreign educational institution with the relevant qualification and maintaining high quality of education. However, the Sino-Foreign Regulations is silent on the interpretations of the qualification and high quality of education in relation to such foreign educational institution.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital into the Education Field 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》, the "Implementation Opinions") to encourage private investment in the education field. According to the Implementation Opinions, the foreign portion of the capital investment in a sino-foreign Education Institution 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 enacted the Education Law of the PRC (《中華人民共和國教育法》, the "Education Law"), which was subsequently amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten 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. On December 27, 2015, the Education Law was further amended (the "amended Education Law"), with the further amendments becoming effective from June 1, 2016. The amended Education Law provides that the establishment or operation of schools may be for profit-making purposes, provided however that schools and other educational institutions sponsored wholly or partially by government financial funds and donated assets are prohibited from being established as for-profit organizations.

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 became effective on September 1, 2003 and was most recently amended on December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》, the "Implementation Rules") became effective from April 1, 2004. Under these rules, "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 of the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall be commensurate with those for the establishment of public schools of the same grade and category. In addition, the establishment of private schools providing academic qualifications education, kindergarten education, education for self-study examination and other cultural education shall be subject to approval by the education authorities at or above the county level, while the establishment of private schools engaging in vocational qualification training and vocational skill training shall be subject to approval by 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 in accordance with relevant laws and regulations. According to the Interim Regulations on Registration Administration of Private Non-enterprise Units (《民辦非企業單位登記管理暫行條例》) promulgated by the State Council and became effective from October 25, 1998, private non-enterprise units, which referred to social organizations which are established by enterprises, institutions, associations or other civil entities as well as individual citizens using non-state assets and conduct not-for-profit social service activities, 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 above the county level as a private non-enterprise unit (民辦非企業單位). These rules also provide that the measures for the administration of profit-making privately-run education institutions registered with the administrative department for industry and commerce shall be separately formulated by the State Council.

The Amended Law for Promoting Private Education

The Amended Law for Promoting Private Education was promulgated by Order No. 55 of the President of the PRC on November 7, 2016 and came into force on September 1, 2017. On December 29, 2018, the Decision of the Standing Committee of the National People's Congress on Amending the Seven Laws of the Labor Law of the People's Republic of China was promulgated by Order No. 55 of the President of the PRC and took into effect on December 29, 2018, which made two minor adjusts to Article 26 and Article 64 of the Amended Law for Promoting Private Education.

Pursuant to the Education Law of the PRC before the Amended Law for Promoting Private Education becoming effective, no organization or individual may establish or operate a school or any other education institution for profit-making purposes and accordingly, no private schools shall be established for profit-making purposes. Pursuant to the Implementation Rules, private schools are classified into three categories, namely, (1) schools established by donations, (2) schools whose sponsors do not require reasonable returns and (3) schools whose sponsors require reasonable returns.

Amendments to the Education Law were made by the Standing Committee of the National People's Congress on December 27, 2015, which became effective from June 1, 2016. The amended Education Law repudiated the provisions that prohibit any organization or individual from establishing or operating a school for profit-making purposes.

The Amended Law for Promoting Private Education establishes a new classification system for private schools. Private Schools are now classified by whether they are established and operated for profit-making purposes. Under the Amended Law for Promoting Private Education, sponsors of private schools that are not engaged in compulsory education may choose to establish non-profit or for-profit private schools at their own discretion.

According to the Amended Law for Promoting Private Education, the key features of the aforesaid new classification system for private schools include the following:

- sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the Company Law of the PRC (《中華人民共和國公司法》, the "PRC Company Law", which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018) and other relevant laws and regulations;

- sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surplus of non-profit schools shall be used for the operation of the schools;

- for-profit private schools are entitled to set tuition fees and other miscellaneous fees independently without the need to seek prior approvals from or reporting to the relevant government authorities. The collection of fees by non-profit private schools, on the other hand, shall be regulated by the provincial, autonomous regional or municipal governments;

- private schools (for-profit and non-profit) may enjoy preferential tax treatments. Non-profit private schools are entitled to the same tax benefits as are public schools;

- where there is construction or expansion of a non-profit private school, the school may acquire the required land use rights in the form of allocation by the government as a preferential treatment. Where there is construction or expansion of a for-profit private school, the school may acquire the required land use rights from the government;

- the remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools. The remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law; and

- people's governments at or above the county level may support private schools by subscription to their services, provision of student loans and scholarships, and leases or transfers of unused state assets. The governments may further take such support by granting measures as government subsidies, bonus funds and incentives for donation to support non-profit private schools.

In addition, the Amended Law for Promoting Private Education provides that, where an organization or individual establishes or operates a private school without authorization, it/he shall be ordered by the relevant administrative department of the government to cease operation of the school and return the fees collected, and shall be fined not less than one time but not more than five times of the amount of illegal gains. If a sponsor's act is found to have violated the administration of public security, the sponsor shall be imposed a penalty by the public security authority according to the laws. If a sponsor's act constitutes a crime, the sponsor shall be subject to criminal liabilities according to the laws.

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》, the "State Council Opinions"), which require, among other things, local people's governments to relax the conditions on accessing operation of private schools and encourage social forces to enter the education industry. The State Council Opinions also provide that each level of the people's government shall increase its support to the private schools in terms of financial investment, financial support, autonomous policies, preferential tax treatments, land policies, fee policies, autonomous operation, and protection of teachers' and students' rights.

On December 30, 2016, the MOE, the MCA, the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商總局, the "SAIC"), the Ministry of Human Resources and Social Security (中華人民共和國人力資源社會保障部, the "MOHRSS") and the State Commission Office of Public Sectors Reform (中央機構編製委員會辦公室) jointly issued the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》), reflecting the new classification system for private schools as set out in the Amended Law for Promoting Private Education. Pursuant to these implementation rules, if a private school established before the promulgation of the Amended Law for Promoting Private Education chooses to be registered as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration procedure. If such a private school chooses to be registered as a for-profit school, it shall conduct the financial settlement process, have the property rights of its assets such as lands, school buildings and net balance being authenticated by relevant governmental authorities. In addition, such a private school shall pay the relevant taxes, apply for a new private school operation permit, and apply to be transformed into a limited liability company and registered as a for-profit school and continue its operation. In accordance with relevant state regulations and in combination with local conditions, the policy for changing the registration type of a private school shall be formulated by the provincial people's government.

On December 30, 2016, the MOE, SAIC and the MOHRSS jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), pursuant to which the division, merger, termination and other material changes of a for-profit private school shall first be reported by the board of directors of the relevant school to and get approvals from the relevant authorities, and subsequently be registered with the competent branch of SAIC.

On April 24, 2018, the Government of Guangdong Province issued the Implementation Opinions of the Government of Guangdong Province on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》, the "Guangdong Opinion"), which require, among other things, local people's governments to encourage social forces to enter the education industry. The Guangdong Opinions also provide that departments of education, human resources, social security, civil affairs, compilation bureau and industry and commerce improve the system of classification and registration of private schools, refine the registration items and processes, and make clear the methods and regulations for the registration of private schools, and each local people's government shall increase its support to the private schools in terms of financial investment, financial support, autonomous policies, preferential tax treatments, land policies, fee policies, autonomous operation, and protection of teachers' and students' rights. Besides, the Guangdong Opinion provides that pre-existing private schools which elect to be registered as for-profit private schools shall deal with their remaining assets in accordance with the Company Law of the PRC after repaying their debts at termination.

On May 28, 2018, the Education Department of Guangdong Province (廣東省教育廳), the Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) and the Administration for Industry and Commerce of Guangdong Province (廣東省工商行政管理局) jointly promulgated the Guangdong Measures, and, together with the Civil Affairs Department of Guangdong Province (廣東省民政廳), jointly promulgated the Standards for Setting up Private After-school Education Institutions (《民辦培訓機構的設置標準》, the "Guangdong Standards"), both of which became effective on June 30, 2018 and will be valid for five years. The Guangdong Measures apply to for-profit private after-school education institutions in Guangdong, which, among other things, stipulate that: (1) the establishment of a for-profit private after-school education institution shall meet the demand of local educational development, conditions prescribed by educational laws and other relevant laws and regulations and shall comply with the requirements provided under the Guangdong Standards; (2) the establishment of a for-profit private after-school education institution shall be subject to the pre-approval of its proposed name from the administrative department of industry and commerce and shall complete the approval procedures bearing the pre-approved proposed name with the competent authority where such institution is located for a school operating permit; (3) the competent authority for a cultural and educational for-profit private after-school education institution is the county-level education administrative department where such for-profit private after-school education institution is located. After obtaining the school operating permit, a for-profit private after-school education institution shall register with the administrative department of industry and commerce in accordance with the PRC Company Law and PRC Regulations on the Registration and Administration of Companies (《中華人民共和國公司登記管理條例》). The Guangdong Standards provide the standards for establishing for-profit private after-school education institutions in Guangdong, which among other things, include that: (1) the sponsor of a for-profit private after-school education institution should provide premises suitable for its training projects and training scale. If a sponsor operates a for-profit private after-school education institution on its own, the sponsor should provide the certificate of property rights of such premises, whereas if a sponsor operates a for-profit private after-school education institution on premises leased from a third party, the sponsor should provide proofs of property rights of the owner and the lease contract entered into with the owner or its authorized representative, and the lease contract should have a term of no less than three years; (2) the gross area of the premises used to operate a for-profit private after-school education institution shall not be less than 200 sq.m., of which the gross area for the training purpose shall not be less than two thirds of the entire gross area; (3) if the leased premises are not originally used for school operations, such premises shall meet the fire safety requirements prescribed by the PRC laws and regulations and shall obtain corresponding fire safety certification materials; and (4) after-school education institutions shall have certain number of full-time and part-time teaching staff. According to the Guangdong Measures, teaching staff who teach Chinese, mathematics, foreign language, physics, chemistry and other subjects in the compulsory education stage as well as those related to the entering of a higher school and their extension training shall have the corresponding teacher qualifications. The Guangdong Standards set forth the basic standards for establishing for-profit private after-school education institutions in Guangdong, and municipality cities in Guangdong may issue more specific standards in accordance with the Guangdong Standards.

On November 22, 2018, the Education Department of Fujian Province (福建省教育廳), the Civil Affair Department of Fujian Province (福建省民政廳), the Human Resource and Social Security Department of Fujian Province (福建省人力資源和社會保障廳) the Administration of Industry and Commerce of Fujian Province (福建省工商行政管理局) jointly promulgated the Notice on Standards for Setting up Private After-school Education Institutions of Fujian Province (《福建省校外培訓機構設置標準(試行)》, the "Fujian Standards"), which also provide the standards for establishing private after-school education institutions in Fujian, including: (1) the sponsor of an after-school education institution should provide premises suitable for its training projects and training scale. If a sponsor operates an after-school education institution on its own, the sponsor should provide the certificate of property rights of such premises, whereas if a sponsor operates an after-school education institution on premises leased from a third party, the sponsor should provide proofs of property rights of the owner and the lease contract entered into with the owner or its authorized representative, and the lease contract shall not be less than three years from the date of application for training; (2) the gross area of the premises used to operate an after-school education institution shall not be less than 200 sq.m., and gross area of the premises used by branches or training points shall not be less than 150 sq.m., of which the gross area for the training purpose shall not be less than two thirds of the entire gross area; (3) after-school education institutions shall be equipped with certain number of full-time and part-time teaching staff according to the training programs and scales, and the number of full-time teaching staff shall not be less than 1/4 of the total number of teaching staff.

On January 10, 2019, the Xiamen Education Bureau, the Xiamen Civil affairs Bureau, the Xiamen Human Resource and Social Security Bureau and Xiamen Market Supervision and Administration Bureau jointly issued Xiamen After-school Training Institutions Setting Standards (Trial Implementation) (《廈門市校外培訓機構設置標準(試行)》), which provides the detailed requirements for establishing private after-school education institutions in Xiamen.

State Council Opinions 80

On August 22, 2018, the General Office of the State Council (國務院辦公廳) issued the State Council Opinions 80 which provided various guidance on regulating after-school training market for primary and secondary school students, including, among others, the operation standards that after-school education institutions should follow, the requirements and approvals necessary for opening new after-school education institutions, the guidance for daily operation of after-school education institutions, and the regulatory supervision scheme for after-school education institutions.

The operation standards set out in the State Council Opinions 80 include, among others:(1) the average area per student used within any specific training period shall be no less than three square meters; (2) after-school education institutions shall meet the fire safety, environmental protection, and health and food safety requirements; (3) personal safety insurance shall be purchased for students to mitigate risks; and (4) no in-service school teachers shall be employed by after-school education institutions and all the teachers teaching courses in relation to school academic subjects shall obtain relevant teaching qualifications.

The State Council Opinions 80 require that after-school education institutions obtain school operation permits and business licenses. For those who have obtained the school operation permits and business licenses, failure to meet the operation standards may cause revocation of their operation permits or business licenses, as well as termination of school operations, unless timely rectification is made. The State Council Opinions 80 further provide that after-school education institutions shall obtain approvals from local education administration authorities to open new branches or learning centers.

The State Council Opinions 80 provide guidance on the daily operation of after-school education institutions, including, among others: (1) for courses on school academic subjects, key course information, including subjects, course schedules, and course syllabi, shall be filed with the local education administration authorities and made public, and the course progress shall not surpass the same-period progress of local primary schools and secondary schools; (2) no training classes shall be arranged in conflict with the regular schooling time in local primary schools and secondary schools; (3) training activities shall not be ended later than 8:30 p.m.;(4) no homework shall be assigned; (5) no scored examination, competition or ranking in connection with the courses of primary schools or secondary schools shall be arranged; (6) no more than three months of tuition fee can be collected in one time; and (7) no fees other than those that have been made public and no compulsory fund-raising in any name may be made against the students.

The State Council Opinions 80 set out the general regulatory supervision scheme requiring that, among others, education administration authorities shall (1) lead the overall supervision over the after-school training market; (2) implement the annual inspection and annual reporting policy, and require after-school education institutions listed overseas to publish Chinese-language periodic reports and interim reports regarding any material adverse impacts on such after-school education institutions in China; and (3) carry out the "Black List" and "White List" policy to timely publish information of the after-school education institutions and any institution who fails to meet the relevant legal requirements on government websites.

Consistent with the Circular 3, the State Council Opinions 80 also prohibit intensive exam-oriented training, advanced training that do not follow the formal school curricula, and any arrangement that correlates students' examination performance in after-school education institutions to admission into primary and secondary schools.

On August 31, 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》), which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80.

Laws and Regulations on Qualifications of Teachers

Pursuant to the Implementation Rules for the Law for Promoting Private Education of the PRC, teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions provided for in the Teachers Law of the PRC (《中華人民共和國教師法》, the "Teachers Law") and the other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school.

Pursuant to the Teachers Law issued by Standing Committee of the National People's Congress, the Teachers Law shall apply to teachers specifically engaged in education and teaching at schools of various levels and categories or other institutions of education. "Schools of various levels and categories" refers to the schools that carry out pre-school education, ordinary primary education, ordinary secondary education, vocational education, ordinary higher education, special education or adult education, and "other institutions of education" refers to Shao Nian Gong (少年宮), local teaching, research offices and the institutions that conduct audio-visual education. In addition, pursuant to the Teachers Law, the relevant provisions of the Teachers Law may be applied *mutatis mutandis* in the light of the actual conditions to the educational and teaching assistants of schools or other institutions of education, as well as teachers and the educational and teaching assistants of schools of other categories.

Pursuant to the State Council Opinions 80, Guangdong Measures and the Guangdong Standards, teaching staff of tutoring institutions shall have relevant teacher qualifications or professional skill qualifications. Teaching staff who teach Chinese, mathematics, foreign language, physics, chemistry and other subjects in the compulsory education stage as well as those related to the entering of a higher school and their extension training shall have the relevant teacher qualifications.

Laws and Regulations on Collection of Private Education Fees

Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) on March 2, 2005 and took effect on April 1, 2005, a private school that provides non-academic qualifications education shall file its pricing standard with the governmental pricing authority and publicly, timely disclose such standard. According to the Interim Measures for the Management of the Collection of Private Education Fees and the Price Law of PRC (《價格法》) promulgated by Standing Committee of the National People's Congress on December 29, 1997 and came into effect from May 1, 1998, if a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school will be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with the relevant PRC laws.

According to the Amended Law for Promoting Private Education, the items and rates of fees to be charged by private schools shall be (1) determined based on the costs for running schools, market demand and other factors, (2) made public, and (3) subject to the supervision by the relevant competent departments. The specific measures for non-profit private schools to charge fees shall be formulated by the people's governments of all provinces, autonomous regions and municipalities directly under the central government. The fee-charging rates of for-profit private schools shall be subject to market adjustment, and be decided by the schools on their own. The fees charged by private schools shall mainly be used for carrying out educational and teaching activities, improving school conditions and ensuring the proper treatment of teachers and staff members.

The Administrative Measures for Refund of Education Institutions that Provide Non-Academic Qualifications Education in Guangdong Province (《廣東省民辦非學歷教育機構退費管理辦法》, the "Guangdong Measures for Refund") were issued by the Education Department of Guangdong Province on August 22, 2003, which provide the rules for refund of private education institutions providing non-academic qualification educations. Pursuant to the Guangdong Measures, the refund of for-profit private after-school education institutions shall be carried out in compliance with the Guangdong Measures for Refund.

Circular 3

On February 13, 2018, the General Offices of the MOE, SAIC, the MCA and the MOHRSS jointly promulgated the Circular 3. Among other things, Circular 3 requires all local bureaux of the MOE, SAIC, the MCA and the MOHRSS to carry out a special enforcement campaign to prohibit extracurricular private training schools and institutions from the following activities: (1) providing courses that do not follow the formal school curricula, and providing trainings to strengthen testing abilities for students; (2) organizing after-school examinations and competitions for primary and middle school students; and (3) any activities linking students' performance in extracurricular private training schools with admission of primary and middle school. In addition, Circular 3 prohibits teachers in primary and middle schools from engaging in part-time jobs to provide tutoring services in after-school education institutions.

On April 12, 2018, the Education Department of Guangdong Province, the Civil Affair Department of Guangdong Province, the Human Resource and Social Security Department of Guangdong Province, the Administration of Industry and Commerce of Guangdong Province and the Department of Public Security of Guangdong Province jointly promulgated the Guangdong Plan. The proposal stipulates specific rules to enforce Circular 3 within Guangdong province.

On April 25, 2018, the Education Department of Fujian Province, the Civil Affair Department of Fujian Province, the Human Resource and Social Security Department of Fujian Province, the Administration of Industry and Commerce of Fujian Province jointly promulgated the Proposal on Special Enforcement Campaign concerning After-school Education Institutions to Alleviate Extracurricular Burden on Students of Primary Schools and Middle Schools (《福建省關於減輕中小學生課外負擔開展校外培訓機構專項治理方案》). The proposal stipulates specific rules to enforce Circular 3 within Fujian province.

Pursuant to the Guangdong Measures, tutoring activities provided by after-school education institutions in relation to the subjects of Chinese, mathematics, foreign language, physics, chemistry and other subjects in the compulsory education stage as well as those related to the entering of a higher school and their extension training should conform to the educational discipline (教育規律) and the characteristics of the physical and mental development of minors and should be based on the relevant curriculum standards. Undue raising of learning requirements, speeding up of learning progress and increase of teaching difficulty in tutoring activities are strictly prohibited.

PRC LAWS AND REGULATIONS RELATING TO PROPERTY IN THE PRC

Administrative Measures for the Leasing of Commodity Housing

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the departments in charge of construction (real estate) of the governments in the municipality directly under the Central Government, city and county where the leased housing is located. Parties to the leasing of housing may entrust in writing another party to handle the registration and filing procedure of the leasing. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the department in charge of construction (real estate) of the people's government in the municipality directly under the Central Government, the cities or the counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 may be imposed.

LAWS AND REGULATIONS RELATING TO FIRE SAFETY

According to the Fire Safety Law of PRC (《消防法》) promulgated by the Standing Committee of the National People's Congress on April 29, 1998, which was recently amended on April 23, 2019, for a special construction project as specified by the housing and urban-rural development authority under the State Council, the construction employer shall submit fire protection design documents to the housing and urban-rural development authority for review, and the housing and urban-rural development authority shall be responsible for review results according to the law, and any other types of construction projects are required to complete a fire safety filing with the competent fire safety authorities upon completion of the construction.

According to the Eight Measures Taken by the Fire Department of Public Security to Deepen Reform and Service Economic and Social Development (《公安消防部門深化改革服務經濟社會發展八項措施》) promulgated by the Ministry of Public Security on August 12, 2015, the requirement of fire safety filings on premises with an investment amount for construction works of less than RMB300,000 or with a gross floor area of less than 300 sq.m. is canceled.

According to the Provisions on the Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》) promulgated by the Ministry of Public Security on April 30, 2009 and became effective from May 1, 2009, which were latest amended on July 17, 2012, any premises of nursery, children's rooms in kindergartens, children's playrooms and other indoor activity areas for children with a gross floor area of more than 1,000 sq.m. are required to obtain a fire design approval from the fire department of a public security authority before commencing the construction and pass fire safety inspection from the relevant fire department of the public security authority after the completion of the construction project. According to the Fire Safety Law of PRC, any construction entity which fails to complete a fire safety filing in accordance with the relevant laws and regulations will be subject to (1) an order to make rectifications within a specified time period; and (2) a fine of not more than RMB5,000, and any construction entity which fails to apply for fire design approval before commencing construction project or a fire safety inspection after the completion of the construction project if required so will be subject to (1) an order to suspend the construction works, or the use of the site, or the operation of the relevant business; and (2) a fine of between RMB30,000 and RMB300,000.

Pursuant to the Guangdong Standards, if the sponsor of a private after-school education institution leases premises not originally used for school operations, such premises should satisfy the fire safety requirements prescribed by the PRC laws and regulations and should obtain corresponding fire safety certification materials.

PRC LAWS AND REGULATIONS RELATING TO TRADEMARK AND DOMAIN NAME

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 (with effect from May 1, 2014), registered trademarks refer to trademarks that have been approved and registered by the Trademark Office of the State Administration for Industry & Commerce (國家工商行政管理總局商標局).

Registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MITT on August 24, 2017 and came into effect from November 1, 2017, domain name registration services shall be subject to the principle of "first come, first served." The domain names registered or used by an organization or individual shall not contain any content prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

PRC LAWS AND REGULATIONS RELATING TO LABOR PROTECTION

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 and became effective on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, an employer shall establish a comprehensive management system to safeguard the rights of its employees, including developing and improving its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conducting labor safety and health education for workers, guarding against labor accidents and reducing occupational hazards.

Labor safety and health facilities must comply with relevant national standards. An employer must provide employees with the necessary labor protection equipment that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that engage in operations with occupational hazards. Workers who engage in special operations shall have received specialized training and obtained the relevant 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 (《勞動合同法》), which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and became effective from January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, regulate employer and employee relations and contain specific provisions on the terms of the labor contract. Labor contracts must be made in writing. An employer and an employee may enter into a fixed-term labor contract, a non-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching 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.

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 to 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 Social Insurance Law (《社會保險法》), which was promulgated on October 28, 2010 and became effective from July 1, 2011, and then was amended on December 29, 2018 has included 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 the relevant laws and regulations on social insurance. If the employer fails to pay the full amount of social insurance premiums as due, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated and became effective on April 3, 1999, and were amended on March 24, 2002 and March 24, 2019, employers are required to pay, housing provident funds on behalf of their employees. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. The employer shall pay timely and deposit housing provident fund contributions in full. Any employer who violates the above regulations shall be fined and ordered to make good the deficit 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 these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply with such order after the expiry of such period.

On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the Ministry of Human Resources and Social Security to the State Administration of Taxation on January 1, 2019. On September 21, 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the State Administration of Taxation released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支援和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the State Administration of Taxation will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

PRC LAWS AND REGULATIONS RELATING TO INCOME TAX

According to the EIT Law (《中華人民共和國企業所得稅法》), which was promulgated on March 16, 2007 and took effect on January 1, 2008 and was last amended on December 29, 2018, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated on December 6, 2007 by the State Council and became effective from January 1, 2008 by the State Council and was recently amended on April 23, 2019, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises, shall typically be 25% commencing from January 1, 2008. An enterprise established outside China with its "de facto management body" located in China is considered a "resident enterprise," which means it can be treated as a domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but whose 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 (中華人民共和國財政部, the "MOF") 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》), "Tax Circular 39") which took effect on January 1, 2004 and Notice of the MOF 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》, "Tax Circular 3"), which took effect on January 1, 2006, schools are exempt from enterprise income tax on the fees collected by them with the approval from the relevant tax authority which have been included in the government fiscal budget management or the special account management outside the government fiscal budget. Schools are 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. As of the date of this document, we do not enjoy any exemptions under Tax Circular 39 and Tax Circular 3.

According to the Law for Promoting Private Education and the Implementation Rules, a private school that did not require reasonable returns enjoyed the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns were separately formulated by the relevant authorities under the PRC State Council.

According to the Amended Law for Promoting Private Education, private schools will be entitled to preferential tax treatments, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools, and taxation policies for for-profit private schools after the Amended Law for Promoting Private Education takes effect are yet to be announced.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》), which were promulgated by the State Council on December 13, 1993, took effect on January 1, 1994, and were last amended on November 19, 2017, and the Detailed Implementing Rules of the Temporary

Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which were promulgated by the MOF and came into effect on December 25, 1993 and were last amended on 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 "VAT").

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 State Administration of Taxation (國家稅務局, the "SAT") and came into effect on November 16, 2011, the PRC began to launch taxation reforms in a gradual manner. The collection of value added tax in lieu of business tax was implemented on a trial basis and has not been implemented in education consulting service industries. According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》, "Circular 36"), which was promulgated on March 23, 2016 and became effective from May 1, 2016, education services provided by schools engaged in academic qualification education services shall be exempted from VAT. On April 4, 2018, the MOF and SAT promulgated the Circular related to the Adjustment of VAT Rates (《關於調整增值稅稅率的通知》) to adjust certain VAT rates in the PRC.

Other Tax Exemptions

According to Tax Circular 39 and Tax Circular 3, the real properties and land used by schools, nurseries and kindergartens are exempt from house property tax and urban land use tax. Schools and kindergartens which expropriate arable land are exempt from arable land use tax upon approval by the relevant tax authority. Schools and educational institutions that are open to public and are established by any enterprises, government affiliated institutions, social groups or other social organizations or individuals and citizens with non-state fiscal funds for education shall be exempt from deed tax on their ownership of land and houses used for teaching activities upon the approval of the administrative department for education or for labor of the relevant people's government which also issued the relevant Permit for Operating a Private School. As of the date of this document, we do not enjoy any exemptions under Tax Circular 39 and Tax Circular 3.

Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Circular on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》, the "SAT Circular 698"), promulgated by SAT on December 10, 2009, where a foreign investor transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company (an "Indirect Transfer"), and such an overseas holding company is located in a tax jurisdiction that: (1) has an effective tax rate less than 12.5% or (2) does not tax the foreign income of its residents, the foreign investor shall report this Indirect Transfer to the competent tax authority of the location in which the PRC resident enterprise is located. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer.

On February 3, 2015, SAT issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, the "SAT Bulletin 7"), which terminated the aforementioned articles of the SAT Circular 698.

Pursuant to the SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in resident enterprises without any justifiable business purposes and with an aim to avoid the payment of enterprise income tax, such an indirect transfer must be reclassified as a direct transfer of equity in resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in the SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances.

On October 17, 2017, SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》, the "SAT Bulletin 37"), which came into effect and superseded Circular 698 on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), the "Foreign Exchange Administration Rules"). These were promulgated by the State Council of the PRC on January 29, 1996 and took effect on April 1, 1996 and were 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 direct investment, loan or investment in securities outside China, unless the prior approval of the State Administration of Foreign Exchange (國家外匯管理局, the "SAFE") or its local counterparts is obtained. Under the Foreign Exchange Administration Rules, foreign exchange transactions involving overseas direct investment or overseas investment and trading in securities and derivative products are subject to registration with SAFE or its local counterparts and necessary approval from or filling with the relevant PRC government authorities.

In addition, under the Circular of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《中國人民銀行關於印發〈結匯、售匯及付匯管理規定〉的通知》) promulgated by the People's Bank of China on June 20, 1996 and became effective from July 1, 1996, foreign-invested enterprises in the PRC may, without the approval of SAFE, make a payment from their foreign exchange accounts at designated foreign exchange banks for paying dividends with certain evidencing documents (such as board resolutions, tax certificates), or for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities.

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, "Circular 37"), which was promulgated on July 4, 2014 and came into effect on the same day, domestic residents shall be required to register with the local branch of SAFE for foreign exchange registration of overseas investments before contributing domestic and overseas lawful assets or interests to an SPV (as defined below), and to update such registration in the event of any change of basic information of the registered SPV or major change in the SPV's capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions.

An SPV is defined as an "offshore enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and individual resident) with its 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 retaining ownership, control, operation and management and other rights and interests of the entity." In addition, according to the procedural guidelines attached to the Circular 37, a domestic individual resident is only required to register the SPV directly established or controlled (first level).

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》, "Circular 13"), 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, and Circular 13 also simplifies some procedures relating to foreign exchange for direct investments.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, "Circular 19"), which came into effect on June 1, 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement ("Discretionary Foreign Exchange Settlement"). The Discretional Foreign Exchange Settlement refers that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily set at 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks.

PRC LAWS AND REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Administrative Measures on Internet Information Services

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (No. 292 Order of the State Council) (promulgated by the State Council on 25 September 2000, came into effect on the same day and revised on 8 January 2011), Internet information service refers to the provision of information through Internet to web users, and includes two categories: commercial and non-commercial. Commercial Internet information service refers to the provision with charge of payment of information through the Internet to web users or of webpage designing, etc. Non-commercial Internet service refers to the provision free of charge of public, commonly-shared information through the Internet to web users.

Entities engaged in providing commercial Internet information service shall apply for a license for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, only a filing is required. Internet information service provider shall provide services within the scope of their licenses or filing. Non-commercial Internet information service providers shall not provide services with charge of payment. In case an Internet information service provider changes its services, website address, etc., it shall apply for approval 30 days in advance at the relevant government department.

Provisions on the Administration of Online Publishing Services

According to the Provisions on the Administration of Online Publishing Services (《網絡出版服務管理規定》) promulgated by the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局, "SAPPRFT") and the MIIT on February 4, 2016 and came into effect on March 10, 2016, entities engaged in publication services through information network shall obtain the Internet Publishing Service License (《網絡出版服務許可證》) from the General Administration of Press and Publication. Foreign-invested enterprises are prohibited from engaging in the business of publication service through information network. "Publication services through information network" refer to the provision of online publications to the public through information network. "Online publications" refer to digitized works with characteristics of publishing such as editing, production and processing provided to the public through information network, which mainly cover: (1) original digitized works such as knowledgeable and thoughtful texts, pictures, maps, games, animation, and audio and video readings in literature, art, science and other fields; (2) digitized works of which the content is consistent with those in published books, newspapers, periodicals, audio and video products, and electronic publications, among others; (3) digitized works such as online literature databases formed in such manners as selecting, compiling and collecting the aforesaid works; and (4) other types of digitized works recognized by the SAPPRFT.

REGULATIONS ON PRIVATE LEARNING CENTERS IN HONG KONG

Regulations relating to school registration

In Hong Kong, every school should observe the Education Ordinance (Chapter 279 of the Laws of Hong Kong) and the subsidiary regulations.

According to the Education Ordinance, a "school" means an institution, organization or establishment which provides for 20 or more persons during any one day or eight or more persons at any one time, any nursery, kindergarten, primary, secondary or post secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services.

The Education Ordinance provides that an application for registration of a school shall be made to the Permanent Secretary for Education (the "Permanent Secretary") in the specified form and accompanied by the documents specified in such form. If the school is to be operated in or in any part of any premises which are not designed and constructed for the purposes of a school, additional documents should be provided to obtain clearance from various government departments, including the Planning Department, the Lands Department, the Fire Services Department, the Buildings Department and the Housing Department.

A "Certificate of Provisional Registration of A School" will be issued to a school for a period not exceeding 12 months, as the Permanent Secretary thinks fit, before an application for registration is determined. The Permanent Secretary may extend the period of provisional registration of a school for a further period not exceeding 12 months at a time as he thinks fit. A "Certificate of Registration of A School" will only be issued to a school which has met the requirements or recommendations issued by the Education Bureau and other relevant government departments.

Any person who is an owner or a teacher in a school which is not registered or provisionally registered or any person who manages or takes part in the management of a school which is not registered or provisionally registered shall be guilty of an offense and shall be liable on conviction to a fine of HK$250,000 and to imprisonment for 2 years. The Permanent Secretary may by order in writing close any premises of a school which is not registered or provisionally registered.

No school shall be operated in any premises other than the premises specified in the "Certificate of Provisional Registration of A School" or "Certificate of Registration of A School". The Permanent Secretary and any inspector of schools may enter and inspect any premises which the Permanent Secretary has reason to suspect are being used for the purposes of a school which is not registered or provisionally registered. The Permanent Secretary may, if a school is operated in any premises which are not specified in the certificate of registration or provisional registration of the school, by order in writing close such premises.

Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong) (the "Education (Exemption) Order")

Private schools which offer educational courses such as tutorial, commercial, language and computer courses are categorized as private schools offering non-formal curriculum ("PSNFCs"). All PSNFCs are required to register under the Education Ordinance.

The Education (Exemption) Order which came into operation on 1 July 2004, grants exemption from certain provisions of the Education Ordinance and the Education Regulations to PSNFCs which (i) provide any educational course other than nursery, kindergarten, primary, secondary or post secondary education; and (ii) are not funded wholly or partly by any subsidy from the Hong Kong government.

PSNFCs are exempted schools under the Education (Exemption) Order, and are exempted from certain requirements of the provisions of the Education Ordinance and the Education Regulations relating to five different categories, subject to compliance with specified conditions under the Education (Exemption) Order:

(i) *Fees*. PSNFCs and their owners, managers, supervisor, principal and teachers are exempted from the requirements of the provisions relating to, among other things, method of payment of inclusive fees, approval for change in inclusive fees and prohibition of payment of school fees other than inclusive fees;

(ii) *Employment of teachers.* PSNFCs and their managers, supervisor and principal are exempted from the requirements of the provisions relating to, among other things, application to employ permitted teachers and grounds for refusal to issue permit to teach;

(iii) *Teachers' qualifications*. PSNFCs and their managers, supervisor and principal are exempted from the requirements of the provisions relating to, among other things, applications for permits to teach;

(iv) *Principals*. The managers, supervisor, principal and teachers of PSNFCs are exempted from the requirements of the provisions relating to, among other things, grounds for refusal to approve principals and tenure of office of principal; and

(v) *Holidays and hours of instruction*. An exempted school and its managers, supervisor and principal are exempted from the requirements of the provisions relating to notice of school holidays, restriction on holidays, the power of permanent secretary to forbid the granting of a holiday or to grant of a holiday, list of holidays to be posted and hours of instruction.

Exempted schools under the Education (Exemption) Order are still required to comply with the provisions of Education Ordinance and Education Regulations other than those exempt provisions stipulated in the Education (Exemption) Order.

If an exempted school fails to comply with any conditions of a particular category specified in the Education (Exemption) Order, it is not entitled to the exemption granted under the category concerned. The school is then obliged to comply with those exempt provisions of that particular category. Appropriate action such as prosecution action, or cancelation of manager registration or school registration will be considered if the school fails to do so.

OUR HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 2012 when Mr. Chen Qiyuan, an executive Director and Chairman of our Board, Mr. Chen Hongyu, our executive Director and a vice general manager of our Group, and 14 other individuals established Shenzhen Scholar under an entrustment arrangement and using their personal funds. For details of the entrustment arrangement, please see "History of our major subsidiaries and PRC Operating Entities — Shenzhen Scholar" in this section. Each of Mr. Chen Qiyuan and Mr. Chen Hongyu has over eight and 13 years of experience in education, respectively. See "Directors and Senior Management" in this prospectus for their biographical details.

Our first learning center, Scholar Center, was set up in Shenzhen, Guangdong province, the PRC in 2014. Over the years, we have expanded our footholds into Xiamen in Fujian province, the PRC and Dongguan and Foshan in Guangdong province, the PRC by establishing new learning centers across the regions under our brand of "Scholar Education" (思考樂教育).

Among the top five K-12 after-school education service providers in Guangdong province as measured by revenue for 2018, we are the fastest-growing based on the CAGR of revenue from 2015 to 2018, according to the F&S Report. We ranked second in Shenzhen among K-12 after-school education service providers as measured by revenue and student enrollments for the year ended December 31, 2018, according to the F&S Report. As of December 31, 2018, we operated a total of 54 learning centers across four cities in China.

Business Milestones

The following table illustrates our major development milestones:

Year	Milestones
2012	Shenzhen Scholar was established
2014	Our first learning center, Scholar Center, was set up in Shenzhen
2016	We expanded our business into Xiamen in Fujian province
2017	We expanded our business into Dongguan and Foshan in Guangdong province
	We set up Huizhou Scholar, our first subsidiary in Huizhou, Guangdong province

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

HISTORY OF OUR MAJOR SUBSIDIARIES AND PRC OPERATING ENTITIES

Shenzhen Scholar

Shenzhen Scholar was established on January 4, 2012 under the laws of the PRC with an initial registered capital of RMB100,000. Upon establishment, the equity interest of Shenzhen Scholar was held as to 90% by Mr. Chen Qiyuan and 10% by Mr. Chen Hongyu.

At the time of the establishment, Mr. Chen Qiyuan and Mr. Chen Hongyu held certain equity interests in Shenzhen Scholar on trust for 14 other individuals in order to simplify the registration process with the relevant Administration for Industry and Commerce. The registered capital was contributed and fully paid by Mr. Chen Qiyuan, Mr. Chen Hongyu and the 14 individuals in proportion to their beneficial equity interests in Shenzhen Scholar, details of which were set forth below:

Beneficial shareholder	Registered capital	Percentage of the equity interest	Individual(s) in which the equity interest was entrusted under the entrustment arrangement
	(RMB)	(%)	
Mr. Chen Qiyuan(1)	58,460	58.46	Mr. Chen Qiyuan
Mr. Chen Hongyu(1)	6,800	6.80	Mr. Chen Hongyu
Mr. Xu Chaoqiang(1)	6,720	6.72	Mr. Chen Qiyuan
Mr. He Fan(2)	4,200	4.20	Mr. Chen Qiyuan
Ms. Chen Meiqin(4)	4,000	4.00	Mr. Chen Qiyuan
Ms. Li Ailing(2)	3,780	3.78	Mr. Chen Qiyuan
Mr. Qi Mingzhi(1)	3,780	3.78	Mr. Chen Qiyuan
Mr. Zou Bangxin(3)	3,360	3.36	Mr. Chen Qiyuan
Mr. Zhu Lixun(3)	1,680	1.68	Mr. Chen Qiyuan
Ms. Zhu Mingxia(3)	1,680	1.68	Mr. Chen Qiyuan
Ms. Pan Danting(3)	1,680	1.68	Mr. Chen Qiyuan
Mr. Li Yong(3)	840	0.84	Mr. Chen Qiyuan (0.66%) and Mr. Chen Hongyu (0.18%)
Mr. Cheng Zai(3)	840	0.84	Mr. Chen Hongyu
Ms. Liang Renhong(3)	840	0.84	Mr. Chen Hongyu
Ms. Leng Xinlan(3)	840	0.84	Mr. Chen Hongyu
Mr. Hua Ribao(2)	500	0.50	Mr. Chen Hongyu
Total	100,000	100.00	

Notes:

(1) Mr. Chen Qiyuan, Mr. Chen Hongyu, Mr. Xu Chaoqiang and Mr. Qi Mingzhi are our executive Directors.

(2) Mr. He Fan, Ms. Li Ailing and Mr. Hua Ribao are our senior management members.

(3) Mr. Zou Bangxin, Mr. Zhu Lixun, Ms. Zhu Mingxia, Ms. Pan Danting, Mr. Li Yong, Mr. Cheng Zai, Ms. Liang Renhong and Ms. Leng Xinlan are employees of our Group.

(4) Ms. Chen Meiqin is an Independent Third Party.

Our PRC Legal Advisor has confirmed that the above entrustment arrangements do not violate any mandatory laws and regulation in the PRC.

On September 19, 2016, the registered capital of Shenzhen Scholar was increased to RMB20 million, with additional registered capital contributed by its beneficial shareholders, with loans from Shenzhen Scholar, in proportion to their beneficial equity interest in Shenzhen Scholar. Upon such capital increase, the equity interest of Shenzhen Scholar was held as to 90% by Mr. Chen Qiyuan and 10% by Mr. Chen Hongyu.

As part of the entrustment arrangement, Mr. Chen Qiyuan and Mr. Chen Hongyu borrowed certain loans from Shenzhen Scholar on behalf of the 14 individuals for the contribution of the additional registered capital of Shenzhen Scholar. The beneficial equity interest of Shenzhen Scholar upon such capital increase was set forth below:

Beneficial shareholder	Registered capital	Percentage of the equity interest	Individual(s) in which the equity interest was entrusted under the entrustment arrangement
	(RMB)	(%)	
Mr. Chen Qiyuan(1)	11,692,000	58.46	Mr. Chen Qiyuan
Mr. Chen Hongyu(1) . . .	1,360,000	6.80	Mr. Chen Hongyu
Mr. Xu Chaoqiang(1) . . .	1,344,000	6.72	Mr. Chen Qiyuan
Mr. He Fan(2)	840,000	4.20	Mr. Chen Qiyuan
Ms. Chen Meiqin(4)	800,000	4.00	Mr. Chen Qiyuan
Ms. Li Ailing(2)	756,000	3.78	Mr. Chen Qiyuan
Mr. Qi Mingzhi(1)	756,000	3.78	Mr. Chen Qiyuan
Mr. Zou Bangxin(3)	672,000	3.36	Mr. Chen Qiyuan
Mr. Zhu Lixun(3)	336,000	1.68	Mr. Chen Qiyuan
Ms. Zhu Mingxia(3)	336,000	1.68	Mr. Chen Qiyuan
Ms. Pan Danting(3)	336,000	1.68	Mr. Chen Qiyuan
Mr. Li Yong(3)	168,000	0.84	Mr. Chen Qiyuan (0.66%) and Mr. Chen Hongyu (0.18%)
Mr. Cheng Zai(3)	168,000	0.84	Mr. Chen Hongyu
Ms. Liang Renhong(3) . .	168,000	0.84	Mr. Chen Hongyu
Ms. Leng Xinlan(3)	168,000	0.84	Mr. Chen Hongyu
Mr. Hua Ribao(2)	100,000	0.50	Mr. Chen Hongyu
Total	20,000,000	100.00	

Notes:

(1) Mr. Chen Qiyuan, Mr. Chen Hongyu, Mr. Xu Chaoqiang and Mr. Qi Mingzhi are our executive Directors.

(2) Mr. He Fan, Ms. Li Ailing and Mr. Hua Ribao are our senior management members.

(3) Mr. Zou Bangxin, Mr. Zhu Lixun, Ms. Zhu Mingxia, Ms. Pan Danting, Mr. Li Yong, Mr. Cheng Zai, Ms. Liang Renhong and Ms. Leng Xinlan are employees of our Group.

(4) Ms. Chen Meiqin is an Independent Third Party.

The loans from Shenzhen Scholar had been fully repaid in December 2017.

On April 19, 2017, Mr. Chen Qiyuan, Mr. Chen Hongyu, Ms. Chen Meiqin, Xuanyang Investment and Hongde Education entered into an equity transfer agreement, pursuant to which (i) Mr. Chen Qiyuan transferred 4%, 19.46% and 27.54% of the equity interest in Shenzhen Scholar to Ms. Chen Meiqin, Xuanyang Investment and Hongde Education, respectively, at a consideration of approximately RMB0.8 million, RMB3.9 million and RMB5.5 million, respectively; and (ii) Mr. Chen Hongyu transferred 10% of the equity interest in Shenzhen Scholar to Hongde Education at a consideration of RMB2 million. The aforesaid considerations were determined based on the then registered capital of Shenzhen Scholar. As confirmed by Mr. Chen Qiyuan, Mr. Chen Hongyu and the 14 individuals, the aforesaid transfers were for the purpose of unwinding the entrustment arrangements and therefore, the considerations did not need to be paid by the transferees.

Upon registration of such equity transfers, the equity interest of Shenzhen Scholar was as set forth below:

Shareholder	Registered capital	Percentage of the equity interest
	(RMB)	(%)
Mr. Chen Qiyuan	7,800,000	39.00
Xuanyang Investment[(1)]	3,892,000	19.46
Hongde Education[(2)]	7,508,000	37.54
Ms. Chen Meiqin[(3)]	800,000	4.00
Total:	20,000,000	100.00

Notes:

(1) The general partner of Xuanyang Investment is Mr. Chen Qiyuan, an executive Director and a Controlling Shareholder, and the limited partnership of Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan.

(2) The general partner of Hongde Education is Mr. Chen Hongyu and the interest of the limited partners of Hongde Education is set forth as below:

Names	Relationship with our Group	Percentage of partnership interest in Hongde Education (%)
Mr. Chen Hongyu	Executive Director	18.1140
Mr. Qi Mingzhi	Executive Director	10.0693
Mr. Xu Chaoqiang	Executive Director	17.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	11.1881
Ms. Li Ailing	Senior management of our Group	10.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	4.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

(3) Ms. Chen Meiqin is an Independent Third Party.

Scholar Center

Scholar Center was established as a private non-enterprise entity under the laws of the PRC on July 30, 2014 by Shenzhen Scholar. As at the Latest Practicable Date, Scholar Center operated 45 learning centers and was in preparation for the launch of two learning centers.

Dongguan Scholar

Dongguan Scholar was established under the laws of the PRC on January 23, 2017 with an initial registered capital of RMB1 million. Upon establishment and up to the Latest Practicable Date, 100% of the equity interest of Dongguan Scholar was held by Shenzhen Scholar. As at the Latest Practicable Date, Dongguan Scholar (i) had ten subsidiaries and five branch companies; and (ii) operated nine learning centers and was in preparation for the launch of one learning center.

Foshan Scholar

Foshan Scholar was established under the laws of the PRC on December 25, 2017 with an initial registered capital of RMB1 million. Upon establishment and up to the Latest Practicable Date, 100% of the equity interest of Foshan Scholar was held by Shenzhen Scholar. As at the Latest Practicable Date, Foshan Scholar (i) had one subsidiary and one branch company; and (ii) operated two learning centers and was in preparation for the launch of two learning centers.

Xiamen Scholar

Xiamen Scholar was established under the laws of the PRC on April 13, 2016 with an initial registered capital of RMB1 million. Upon establishment, 100% of the equity interest of Xiamen Scholar was held by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder. As at the Latest Practicable Date, Xiamen Scholar had established one private non-enterprise entity and operated two learning centers.

On November 15, 2016, Mr. Chen Qiyuan entered into an equity transfer agreement with Shenzhen Scholar, pursuant to which Mr. Chen Qiyuan transferred 100% of the equity interest in Xiamen Scholar to Shenzhen Scholar at nil consideration given that the then registered capital of Xiamen Scholar was not paid up. The registered capital was subsequently fully paid up by Shenzhen Scholar on November 15, 2016.

Huizhou Scholar

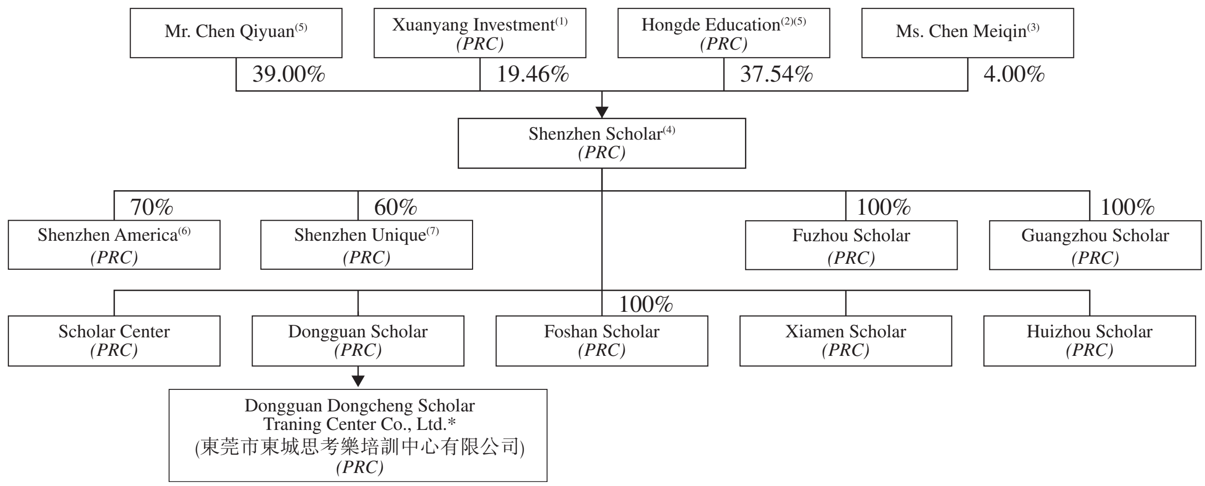
Huizhou Scholar was established under the laws of the PRC on November 23, 2017 with an initial registered capital of RMB1 million. Upon establishment and up to the Latest Practicable Date, 100% of the equity interest of Huizhou Scholar was held by Shenzhen Scholar. As at the Latest Practicable Date, Huizhou Scholar had two subsidiaries and operated two learning centers.

Foshan Chancheng Center

Foshan Chancheng Center was established as a private non-enterprise entity under the laws of the PRC on January 15, 2019 by Shenzhen Scholar. As of the Latest Practicable Date, Foshan Chancheng Center operated one learning center.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately prior to the commencement of the Corporate Reorganization in February 2018.



Notes:

(1) The general partner of Xuanyang Investment is Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder, and the limited partnership of Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan.

(2) The general partner of Hongde Education is Mr. Chen Hongyu and the interest of the limited partners of Hongde Education is set forth below:

Names	Relationship with our Group	Percentage of partnership interest in Hongde Education (%)
Mr. Chen Hongyu	Executive Director	18.1140
Mr. Qi Mingzhi	Executive Director	10.0693
Mr. Xu Chaoqiang	Executive Director	17.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	11.1881
Ms. Li Ailing	Senior management of our Group	10.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	4.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

(3) Ms. Chen Meiqin is an Independent Third Party.

(4) In February 2018, Shenzhen Scholar had 41 branches.

(5) On May 20, 2017, Hongde Education and Mr. Chen Qiyuan entered into a right entrustment agreement, pursuant to which Hongde Education irrevocably authorized Mr. Chen Qiyuan to exercise all the voting rights as a shareholder of Shenzhen Scholar to the extent as permitted by the PRC laws and the articles of association of Shenzhen Scholar.

(6) Shenzhen America is owned as to 70% by Shenzhen Scholar and 30% by Ms. Chen Linyan. For further details on Shenzhen America, please see "— 4. Disposal of our former subsidiaries" in this section and "Business — Discontinued operations" and "Financial Information — Discontinued operations" in this prospectus.

(7) Shenzhen Unique is owned as to 60% by Shenzhen Scholar, 15% by Mr. Yuan Haibin, 15% by Shenzhen Youxue Elite Education Technology Development Partnership (Limited Partnership)* (深圳市優學精英教育科技發展合伙企業(有限合伙)) ("**Shenzhen Youxue**") and 10% by Mr. Yu Zhisheng. For further details on Shenzhen Unique, please see "— 4. Disposal of our former subsidiaries" in this section and "Business — Discontinued operations" and "Financial Information — Discontinued operations" in this prospectus.

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 February 7, 2018 with an authorized share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. At the time of incorporation, the issued share capital of our Company was US$1.00, with one share of US$1.00 and held by Avalon Ltd., the initial subscriber and an Independent Third Party. On February 7, 2018, (i) the said one share was transferred to Sky Noon for a consideration at par value and (ii) our Company issued and allotted 29,229, 18,770 and 2,000 shares of US$1.00 to Sky Noon, Magnificent Industrial and Brilliant Faith, respectively at par value. On April 16, 2018, (i) Sky Noon, Magnificent Industrial and Brilliant Faith transferred 2,480.8, 1,521.78 and 241.02 shares of US$1.00 to CREG for a consideration at RMB78,345,309.58, RMB48,057,865.23 and RMB7,611,423.73, respectively and (ii) the authorized share capital of our Company increased from US$50,000 divided into 50,000 shares of US$1.00 to US$53,831.05 divided into 53,831.05 shares of US$1.00 by the creation of an additional 3,831.05 shares of US$1.00 each rank *pari passu* in all respects with the existing shares which were subscribed by CREG under the Pre-IPO Investment. For further details, please see "Pre-IPO Investment" in this section. Our Company is the listing vehicle of our Group.

For other changes in the share capital of our Company, please refer to "Appendix V — Statutory and General Information — A. Further Information about our Company — 2. Changes in share capital of our Company" in this prospectus.

2. Incorporation of the offshore group companies

Guanglong Pentium

Guanglong Pentium was incorporated as a limited liability company under the laws of Hong Kong on February 2, 2018 with an issued share capital of HK$10,000. On February 13, 2018, Mr. Chen Qiyuan transferred the entire issued share capital of Guanglong Pentium to our Company at a consideration of HK$10,000 which was determined based on the issued share capital. As at the Latest Practicable Date, Guanglong Pentium was wholly owned by our Company. Guanglong Pentium is an investment holding company.

Youshine International

Youshine International was incorporated as a limited liability company under the laws of Hong Kong on January 25, 2018 with an issued share capital of HK$10,000. On February 8, 2018, China Upsurge Company Limited, the founder member of Youshine International, transferred the entire issued share capital of Youshine International to Guanglong Pentium at a consideration of HK$10,000 which was determined based on the issued share capital of Youshine International. As at the Latest Practicable Date, Youshine International was wholly owned by Guanglong Pentium. Youshine International is a proposed operating entity to operate and manage our proposed learning center in Hong Kong.

3. Establishment of Shenzhen Fengye

On April 2, 2018, Shenzhen Fengye was established in the PRC as a wholly foreign-owned enterprise with a registered capital of RMB10 million and is wholly-owned by Youshine International. The registered capital has been fully paid up on September 19, 2018. Shenzhen Fengye is engaged in the provision of technical and management consultancy services.

4. Disposal of our former subsidiaries

In order to focus on our academic preparation program and early primary education program which we believe are our core strengths and have significant market potential, we decided to dispose of our 70% equity interest in Shenzhen America and 60% equity interest in Shenzhen Unique in 2018. For details of our discontinued operation, please see "Business — Discontinued Operation" and "Financial Information — Discontinued Operation" in this prospectus.

Immediately prior to its disposal, Shenzhen America was owned as to 70% by Shenzhen Scholar and 30% by Ms. Chen Linyan, an Independent Third Party. Ms. Chen is the founder of Shenzhen America and has been responsible for overseeing the operations and management of Shenzhen America. To the best knowledge of our Directors after due and careful enquiries, Ms. Chen has experience in English education for children. On March 17, 2018, Shenzhen Scholar entered into an equity transfer and debt arrangement agreement with Ms. Chen Linyan, pursuant to which Shenzhen Scholar transferred all 70% of equity interest it held in Shenzhen America to Ms. Chen Linyan at a consideration of RMB1. Such consideration was based on arm's length negotiations between Shenzhen Scholar and Ms. Chen Linyan and was determined with reference to the net asset value of Shenzhen America and also the strategic benefits Shenzhen America had brought to the Group prior to its disposal. Upon completion of the transfer, Shenzhen Scholar no longer held any interest in Shenzhen America. Save as disclosed above, to the best knowledge of our Directors after making due and careful enquiries, Ms. Chen Linyan had no past or present relationship (business or otherwise) with our Company and our subsidiaries, their directors, shareholders, senior management or any of their respective associates as at the Latest Practicable Date.

Immediately prior to its disposal, Shenzhen Unique was owned as to: (a) 60% by Shenzhen Scholar; (b) 15% by Mr. Yuan Haibin, who is the founder of Shenzhen Unique and "You Xue" (優學) brand and has been responsible for overseeing the operations and management of Shenzhen Unique. To the best knowledge of our Directors after due and careful enquiries, Mr. Yuan has experience in after-school education services and worked at Shanghai Jingrui Education Information Consultation Company Limited (上海精銳教育信息諮詢有限公司); (c) 15% by Shenzhen Youxue, a limited partnership established under the laws of PRC in June 2017 and engages in the businesses of, among others, education consulting, research and development of teaching equipment, educational training, and online education. Mr. Yuan Haibin owns 33.5% equity interest in Shenzhen Youxue where he acts as the general partner; and (d) 10% by Mr. Yu Zhisheng, who is an individual investor in the education and training industry. On April 11, 2018, Shenzhen Scholar entered into an equity transfer agreement with Mr. Yuan Haibin, Ms. Huang Ziqing and Ms. Meng Cuiqiu, all are Independent Third Parties in relation to the transfer of all 60% of equity interest it held in Shenzhen Unique, pursuant to which Shenzhen Scholar transferred (i) 1% equity interest to Mr. Yuan Haibin at a consideration of RMB1; (ii) 29% equity interest to Ms. Huang Ziqing at a consideration of RMB1; and (iii) 30% equity interest to Ms. Meng Cuiqiu at a consideration of RMB1. Both Ms. Huang Ziqing and Ms. Meng Cuiqiu are individual investors in the education and training industry. The considerations were determined based on arm's length negotiations between the parties, having taken into consideration that the then registered capital of Shenzhen Unique was not paid up. Upon completion of the aforesaid transfers, (i) Shenzhen Scholar no longer held any equity interest in Shenzhen Unique, and (ii) Shenzhen Unique is owned as to 30% by Ms. Meng Cuiqiu, 29% by Ms. Huang Ziqing, 16% by Mr. Yuan Haibin, 15% by Shenzhen Youxue and 10% by Mr. Yu Zhisheng. At the time of disposal, Shenzhen Unique recorded a net liability position.

Save as disclosed above, to the best knowledge of our Directors after making due and careful enquiries, each of Ms. Meng Cuiqiu, Ms. Huang Ziqing and Mr. Yuan Haibin had no past or present relationship (business or otherwise) with our Company and our subsidiaries, their directors, shareholders, senior management or any of their respective associates as at the Latest Practicable Date.

In addition, apart from a legal proceeding filed against Shenzhen Unique as co-defendant in relation to a property lease agreement dispute in February 2019, to the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of Shenzhen America and Shenzhen Unique was subject to any material administrative penalties for any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened). To the best knowledge of our Directors, as of the Latest Practicable Date, the above legal proceeding that Shenzhen Unique is involved in was still pending for trial, and since it was filed against Shenzhen Unique after its disposal from our Group, our Directors are of the view that it will not have any material adverse effect on our business operations or financial condition.

In order to streamline our group structure, we decided to dispose of Fuzhou Scholar in July 2018 and Guangzhou Scholar in August 2018, both of which had never commenced operations.

On July 31, 2018, Shenzhen Scholar entered into an equity transfer agreement with Mr. Chen Jianhua, the cousin of Mr. Chen Qiyuan, our executive Director, pursuant to which Shenzhen Scholar transferred 100% equity interest in Fuzhou Scholar to Mr. Chen Jianhua at a consideration of RMB0.1. Such consideration was determined based on arm's length negotiations between the parties, having taken into consideration that the then registered share capital of Fuzhou Scholar was not paid up. Upon completion of the transfer, Shenzhen Scholar no longer held any interest in Fuzhou Scholar.

On August 28, 2018, Shenzhen Scholar entered into a transfer agreement with Mr. Xu Chaoqi, the cousin of Mr. Xu Chaoqiang, our executive Director, pursuant to which Shenzhen Scholar transferred 100% equity interest in Guangzhou Scholar to Mr. Xu Chaoqi at a consideration of RMB1. Such consideration was determined based on arm's length negotiations between the parties, having taken into consideration that the then registered share capital of Guangzhou Scholar was not paid up. Upon completion of the transfer, Shenzhen Scholar no longer held any interest in Guangzhou Scholar.

To the best of the knowledge of the Directors, as of the Latest Practicable Date, the deregistration process of Fuzhou Scholar and Guangzhou Scholar were completed.

5. Entering into the Structured Contracts to control our PRC Operating Entities by Shenzhen Fengye

In order to comply with the applicable PRC laws and regulations as set out in the section headed "Structured Contracts — Background of the Structured Contracts" in this prospectus while availing ourselves of international capital markets and the Pre-IPO Investment, and maintaining effective control over all of our operations, on April 9, 2018, Shenzhen Fengye entered into various agreements (the "Previous Agreements") with, among others, Shenzhen Scholar, under which all economic benefits arising from the business of our PRC Operating Entities were transferred to Shenzhen Fengye by means of services fees payable by Shenzhen Scholar to Shenzhen Fengye. As advised by our PRC Legal Advisor, the contents and the execution of the Previous Agreements did not violate any relevant PRC laws and regulations.

In order to fully comply with the relevant guidance issued by the Stock Exchange on contractual arrangements, on January 13, 2019, Shenzhen Fengye entered into various agreements with, among others, our PRC Operating Entities that constitute the Structured

Contracts and superseded the Previous Agreements. Pursuant to the Structured Contracts, all economic benefits arising from the business of our PRC Operating Entities are transferred to Shenzhen Fengye to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Operating Entities.

PRE-IPO INVESTMENT

On April 16, 2018, a share transfer and subscription agreement was entered into between, among others, (i) our Company as issuer; (ii) Mr. Chen Qiyuan as our founder; (iii) CREG as purchaser and subscriber; and (iv) Sky Noon, Magnificent Industrial and Brilliant Faith as vendors. The table below sets out key details of the Pre-IPO Investment.

Background	CREG is a company incorporated under the laws of the Cayman Islands on November 3, 2017, which is wholly owned by CRE Alliance Fund I L.P., a Cayman exempted limited partnership, managed by CRE Alliance (Cayman) Limited as its general partner, a direct wholly-owned subsidiary of CRE Alliance (BVI) Limited and an indirect wholly-owned subsidiary of China Resources Enterprise, Limited, which is ultimately wholly-owned by China Resources (Holdings) Company Limited. For further details, please refer to the section headed "Substantial Shareholders" in this prospectus. China Resources (Holdings) Company Limited is headquartered in Hong Kong and, through its subsidiaries, engages in consumer products (including beer, food and beverages), power, property, cement, gas, pharmaceuticals and finance businesses. China Resources (Holdings) Company Limited also owns and operates supermarkets both in Hong Kong and China. To the best of our Directors' knowledge after due and careful enquires, save for (i) being as a Shareholder and (ii) Mr. Shen Jing Wu, our vice chairman and non-executive Director, serves as the chief executive officer of CRE Alliance (Hong Kong) Company Limited, a company wholly-owned by CRE Alliance (BVI) Limited, CREG had no other relationship with our Group and/or any other connected persons of our Company as at the Latest Practicable Date.
Date of share transfer and subscription agreement	April 16, 2018

Total consideration	Approximately RMB78.3 million (equivalent to approximately HK$89.1 million) to Sky Noon for transfer of 2,480.80 sale shares of US$1.00 Approximately RMB48.1 million (equivalent to approximately HK$54.7 million) to Magnificent Industrial for transfer of 1,521.78 sale shares of US$1.00 Approximately RMB7.6 million (equivalent to approximately HK$8.6 million) to Brilliant Faith for transfer of 241.02 sale shares of US$1.00 Approximately RMB106.8 million (equivalent to approximately HK$121.5 million) for subscription of 3,831.05 new shares of US$1.00
Basis of consideration	The consideration of the Pre-IPO Investment, which implied a post-money valuation of our Group at approximately RMB1,605 million, was determined based on the prospects of our Group, with reference to the business plan of our Group, our long-term development potential, financial position, considering the pre-IPO investment risks on a private company, and finalized through fair negotiations between the parties.
Number of Shares held by CREG and cost per Share	Upon completion of the Pre-IPO Investment, CREG held 8,074.65 shares of US$1.00 in our Company, representing approximately 15% of the then total issued share capital of our Company. Upon the Listing, CREG will hold 64,616,000 Shares, representing approximately 11.63% of the total issued share capital 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 any options which may be granted under the Share Option Scheme). On such basis, at the time of Listing, the effective cost per Share paid by CREG is approximately RMB3.73 (equivalent to approximately HK$4.24), representing a premium of approximately 16.48% to the low end of the stated Offer Price range of HK$3.64 and a discount of approximately 9.40% to the high end of the stated Offer Price range of HK$4.68.
Payment date of the consideration	The total consideration of the Pre-IPO Investment (including the transfer of 4,243.60 sale shares of US$1.00 and the subscription of 3,831.05 new shares of US$1.00) was fully settled on April 19, 2018.

Special rights	In connection with the Pre-IPO Investment, the Pre-IPO Investor was granted certain special rights including financial compensation right, board representation right, prior consent from the Pre-IPO Investor for certain corporate actions, profit guarantee right, restrictions on transfer and right of first refusal, co-sale right, pre-emptive right to subscribe for new Shares or securities, early redemption right, no more favorable terms and information and inspection rights. Apart from financial compensation and board representation rights which shall terminate and lapse upon the Listing, all other special rights shall terminate immediately before the filing of the application for Listing and shall revive if the Listing is not approved by the Stock Exchange, until our Company files another listing application in respect of a qualified IPO.
Lock up	Nine months after the Listing
Use of proceeds	The consideration for the subscription of new shares of RMB106.8 million was used as the working capital of our Group and the payment of expenses in relation to the Listing. As at the Latest Practicable Date, an aggregate of approximately RMB19.1 million of such proceeds had been utilized in the manner set out above.
Public float	The Shares held by CREG will not be considered as part of the public float since CREG will be one of our substantial shareholders upon the Listing and therefore a core connected person of our Company upon the Listing.
Strategic benefit	Our Company considered that our Group can benefit from the financial resources provided by the Pre-IPO Investor for our Group's business development and it would serve as an endorsement of our Group's performance, strength and prospects when taking into account the established name and reputation of the Pre-IPO Investor. More importantly, our Company greatly values the track record of the Pre-IPO Investor in working with private enterprises and proactively providing advice on operations, branding, consumer insights, merger and acquisition as well as capital market.

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the consideration for the Pre-IPO Investment was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing; and (ii) the special rights granted to the Pre-IPO Investor will be/have been terminated as set out in the table above, the Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 (as updated in March 2017), the

Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 (as updated in July 2013 and March 2017) and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 (as updated in March 2017).

TRUST ESTABLISHED BY MR. CHEN QIYUAN

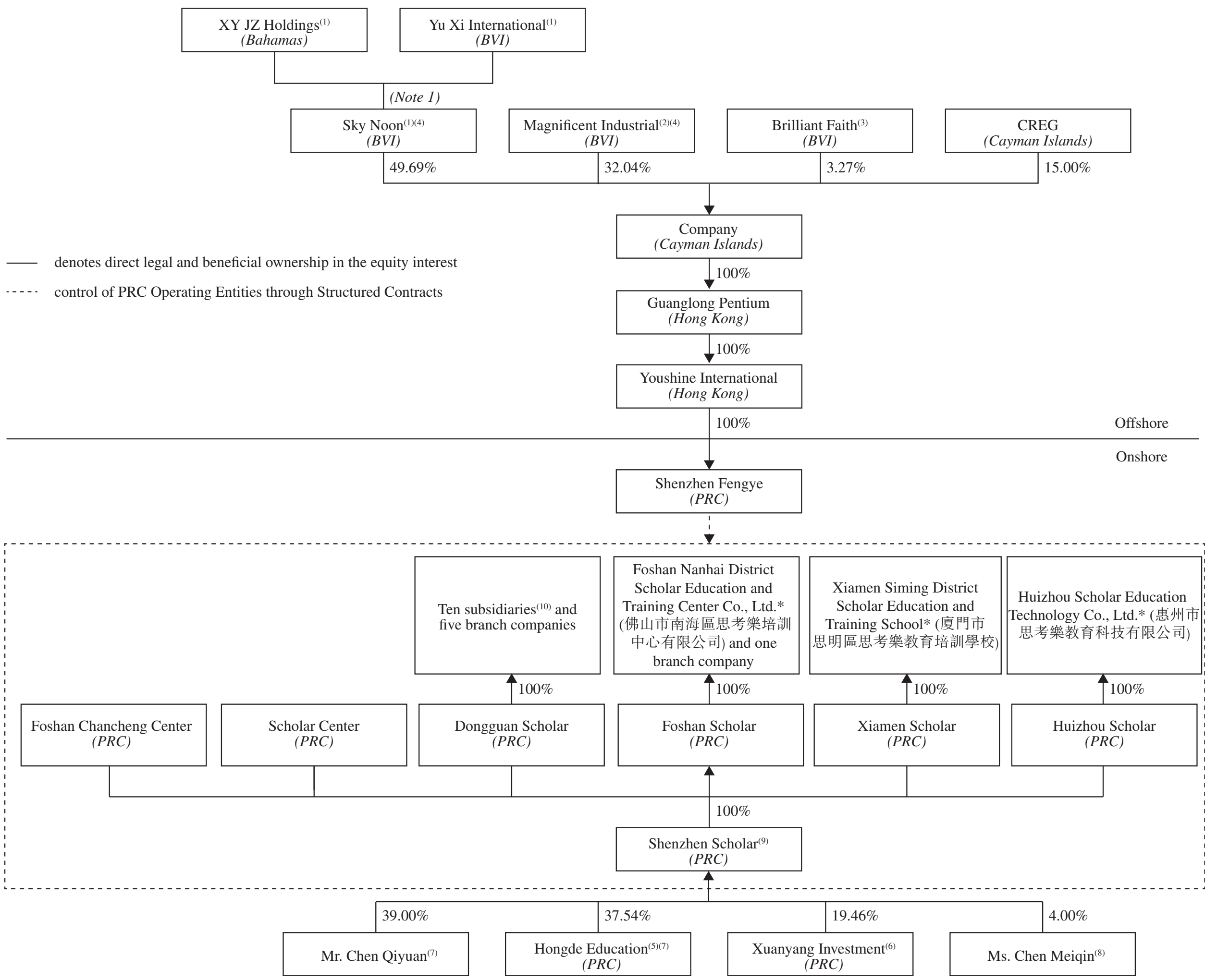
On May 14, 2019, Mr. Chen Qiyuan, an executive Director and a Controlling Shareholder, established a discretionary trust, namely the Chen Family Trust, as the settlor. J.P. Morgan Trust Company (Bahamas) Limited ("JP Morgan Trust") is the trustee of the Chen Family Trust and Mr. Chen Qiyuan and his family members are the beneficiaries of the Chen Family Trust. As the trustee of the Chen Family Trust, JP Morgan Trust is the legal owner of the assets of the Chen Family Trust and shall act solely for the interests of the beneficiaries of the Chen Family Trust and JP Morgan Trust has powers including but not limited to investment and asset management powers of the funds of the Chen Family Trust.

On May 17, 2019, Sky Noon allotted 100 voting shares to Yu Xi International, a company incorporated in the BVI and is wholly-owned by Mr. Chen Qiyuan, and 100 non-voting shares to Xuan Yang Jiu Zhou Holdings Ltd ("XY JZ Holdings"), a company incorporated in the Bahamas and is wholly-owned by the Chen Family Trust. By virtue of the SFO, Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested. Accordingly, Mr. Chen Qiyuan, through Yu Xi International, will control approximately 38.52% of the issued share capital 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). Therefore, Mr. Chen Qiyuan, Yu Xi International and Sky Noon and Magnificent Industrial are considered as a group of our Controlling Shareholder. For details, please also refer to section headed "Relationship with Controlling Shareholders" in this prospectus.

As of the Latest Practicable Date, the Chen Family Trust has not distributed any benefits to any of its beneficiaries.

GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION AND PRE-IPO INVESTMENT

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



Notes:

(1) Sky Noon is owned as to 100 voting shares by Yu Xi International and 100 non-voting shares by XY JZ Holdings. XY JZ Holdings is a company incorporated in the Bahamas and is wholly-owned by the Chen Family Trust. Yu Xi International is a company incorporated in the BVI and is wholly-owned by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder.

Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested by virtue of the SFO.

Each of Mr. Chen Qiyuan, Yu Xi International and Sky Noon is a Controlling Shareholder.

(2) The shareholding of Magnificent Industrial, a Controlling Shareholder, is set forth below:

Names	Relationship with our Group	Percentage of shareholding (%)
Mr. Chen Hongyu	Executive Director	25.1140
Mr. Qi Mingzhi	Executive Director	9.0693
Mr. Xu Chaoqiang	Executive Director	9.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	9.1881
Ms. Li Ailing	Senior management of our Group	9.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	9.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

None of the shareholders of Magnificent Industrial individually holds, or is entitled to control, more than 50% of its voting interests or is entitled to control the majority of the board composition.

(3) Brilliant Faith is wholly owned by Ms. Chen Meiqin who is an Independent Third Party.

(4) Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated January 13, 2019, pursuant to which, Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial have acted and will act in concert in the control, management and operation of our Group.

(5) The general partner of Hongde Education is Mr. Chen Hongyu and the interest of the limited partners of Hongde Education is set forth below:

Names	Relationship with our Group	Percentage of partnership interest in Hongde Education (%)
Mr. Chen Hongyu	Executive Director	18.1140
Mr. Qi Mingzhi	Executive Director	10.0693
Mr. Xu Chaoqiang	Executive Director	17.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	11.1881
Ms. Li Ailing	Senior management of our Group	10.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	4.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

(6) The general partner of Xuanyang Investment is Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder, and the limited partnership of Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan.

(7) On May 20, 2017, Hongde Education and Mr. Chen Qiyuan entered into a right entrustment agreement, pursuant to which Hongde Education irrevocably authorized Mr. Chen Qiyuan to exercise all the voting rights as a shareholder of Shenzhen Scholar to the extent as permitted by the PRC laws and the articles of association of Shenzhen Scholar.

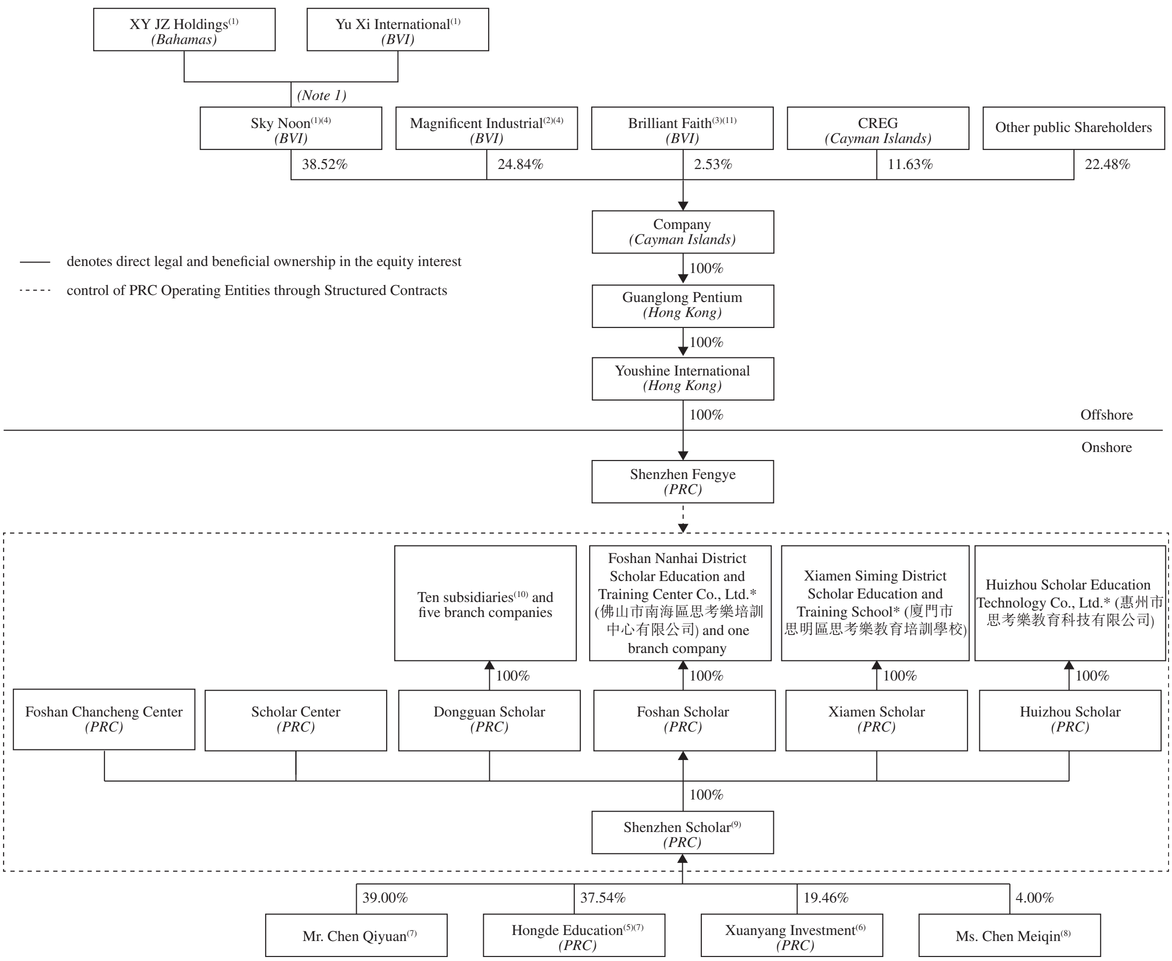
(8) Ms. Chen Meiqin is an Independent Third Party.

(9) As at the Latest Practicable Date, there were 58 branch companies under Shenzhen Scholar.

(10) The ten subsidiaries are Dongguan Houjie Scholar Training Center Co., Ltd.* (東莞市厚街思考樂培訓中心有限公司), Dongguan Dalang Scholar Training Center Co., Ltd.* (東莞市大朗思考樂培訓中心有限公司), Dongguan Guancheng Scholar Training Center Co., Ltd.* (東莞市莞城思考樂培訓中心有限公司), Dongguan Wanjiang Scholar Training Center Co., Ltd.* (東莞市萬江思考樂培訓中心有限公司), Dongguan Humen Scholar Training Center Co., Ltd.* (東莞市虎門思考樂培訓中心有限公司), Dongguan Dongcheng Scholar Training Center Co., Ltd.* (東莞市東城思考樂培訓中心有限公司), Dongguan Guancheng Diwang Scholar Training Center Co., Ltd.* (東莞市莞城地王思考樂培訓中心有限公司), Dongguan Dongcheng Dongtai Scholar Training Center Co., Ltd.* (東莞市東城東泰思考樂培訓中心有限公司), Dongguan Changan Scholar Training Center Co., Ltd.* (東莞市長安思考樂培訓中心有限公司) and Dongguan Changping Scholar Training Center Co., Ltd.* (東莞市常平思考樂培訓中心有限公司).

GROUP STRUCTURE UPON THE GLOBAL OFFERING

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



Notes:

(1) Sky Noon is owned as to 100 voting shares by Yu Xi International and 100 non-voting shares by XY JZ Holdings. XY JZ Holdings is a company incorporated in the Bahamas and is wholly-owned by the Chen Family Trust. Yu Xi International is a company incorporated in the BVI and is wholly-owned by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder.

Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested by virtue of the SFO.

Each of Mr. Chen Qiyuan, Yu Xi International and Sky Noon is a Controlling Shareholder.

(2) The shareholding of Magnificent Industrial, a Controlling Shareholder, is set forth below:

Names	Relationship with our Group	Percentage of shareholding (%)
Mr. Chen Hongyu	Executive Director	25.1140
Mr. Qi Mingzhi	Executive Director	9.0693
Mr. Xu Chaoqiang	Executive Director	9.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	9.1881
Ms. Li Ailing	Senior management of our Group	9.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	9.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

None of the shareholders of Magnificent Industrial individually holds, or is entitled to control, more than 50% of its voting interests or is entitled to control the majority of the board composition.

(3) Brilliant Faith is wholly owned by Ms. Chen Meiqin who is an Independent Third Party.

(4) Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated January 13, 2019, pursuant to which, Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial have acted and will act in concert in the control, management and operation of our Group.

(5) The general partner of Hongde Education is Mr. Chen Hongyu and the interest of the limited partners of Hongde Education is set forth below:

Names	Relationship with our Group	Percentage of partnership interest in Hongde Education (%)
Mr. Chen Hongyu	Executive Director	18.1140
Mr. Qi Mingzhi	Executive Director	10.0693
Mr. Xu Chaoqiang	Executive Director	17.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
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Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

(6) The general partner of Xuanyang Investment is Mr. Chen Qiyuan, an executive Director and a Controlling Shareholder, and the limited partnership of Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan.

(7) On May 20, 2017, Hongde Education and Mr. Chen Qiyuan entered into a right entrustment agreement, pursuant to which Hongde Education irrevocably authorized Mr. Chen Qiyuan to exercise all the voting rights as a shareholder of Shenzhen Scholar to the extent as permitted by the PRC laws and the articles of association of Shenzhen Scholar.

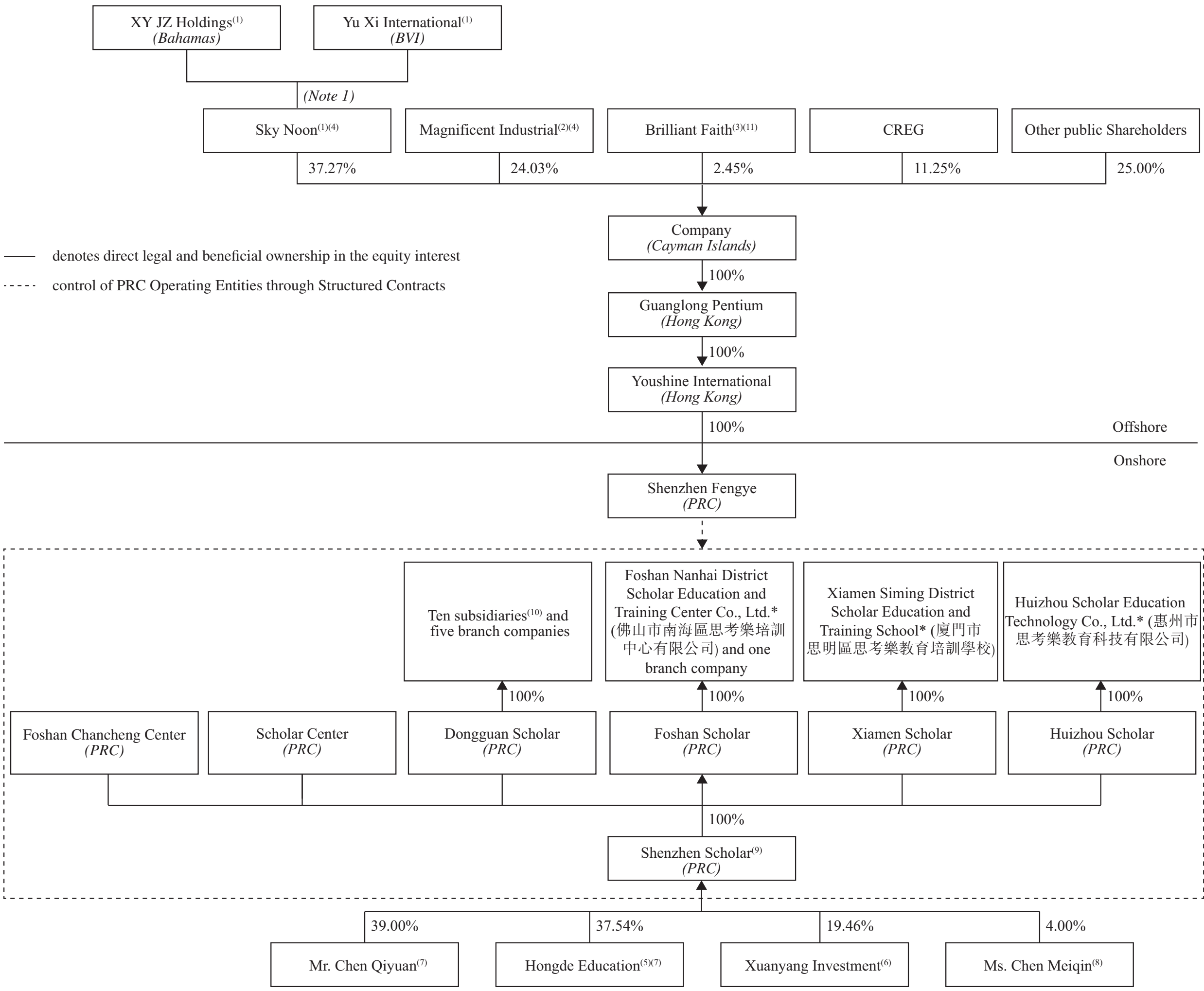
(8) Ms. Chen Meiqin is an Independent Third Party.

(9) As at the Latest Practicable Date, there were 58 branch companies under Shenzhen Scholar.

(10) The ten subsidiaries are Dongguan Houjie Scholar Training Center Co., Ltd.* (東莞市厚街思考樂培訓中心有限公司), Dongguan Dalang Scholar Training Center Co., Ltd.* (東莞市大朗思考樂培訓中心有限公司), Dongguan Guancheng Scholar Training Center Co., Ltd.* (東莞市莞城思考樂培訓中心有限公司), Dongguan Wanjiang Scholar Training Center Co., Ltd.* (東莞市萬江思考樂培訓中心有限公司), Dongguan Humen Scholar Training Center Co., Ltd.* (東莞市虎門思考樂培訓中心有限公司), Dongguan Dongcheng Scholar Training Center Co., Ltd.* (東莞市東城思考樂培訓中心有限公司), Dongguan Guancheng Diwang Scholar Training Center Co., Ltd.* (東莞市莞城地王思考樂培訓中心有限公司), Dongguan Dongcheng Dongtai Scholar Training Center Co., Ltd.* (東莞市東城東泰思考樂培訓中心有限公司), Dongguan Changan Scholar Training Center Co., Ltd.* (東莞市長安思考樂培訓中心有限公司) and Dongguan Changping Scholar Training Center Co., Ltd.* (東莞市常平思考樂培訓中心有限公司).

(11) The Shares held by Brilliant Faith shall be counted towards the public float of our Company upon Listing.

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



Notes:

(1) Sky Noon is owned as to 100 voting shares by Yu Xi International and 100 non-voting shares by XY JZ Holdings. XY JZ Holdings is a company incorporated in the Bahamas and is wholly-owned by the Chen Family Trust. Yu Xi International is a company incorporated in the BVI and is wholly-owned by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder.

Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested by virtue of the SFO.

Each of Mr. Chen Qiyuan, Yu Xi International and Sky Noon is a Controlling Shareholder.

(2) The shareholding of Magnificent Industrial is set forth below:

Names	Relationship with our Group	Percentage of shareholding (%)
Mr. Chen Hongyu	Executive Director	25.1140
Mr. Qi Mingzhi	Executive Director	9.0693
Mr. Xu Chaoqiang	Executive Director	9.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	9.1881
Ms. Li Ailing	Senior management of our Group	9.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	9.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

None of the shareholders of Magnificent Industrial individually holds, or is entitled to control, more than 50% of its voting interests or is entitled to control the majority of the board composition.

(3) Brilliant Faith is wholly owned by Ms. Chen Meiqin who is an Independent Third Party.

(4) Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated January 13, 2019, pursuant to which, Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial have acted and will act in concert in the control, management and operation of our Group.

(5) The general partner of Hongde Education is Mr. Chen Hongyu and the interest of the limited partners of Hongde Education is set forth below:

Names	Relationship with our Group	Percentage of partnership interest in Hongde Education (%)
Mr. Chen Hongyu	Executive Director	18.1140
Mr. Qi Mingzhi	Executive Director	10.0693
Mr. Xu Chaoqiang	Executive Director	17.9009
Mr. Hua Ribao	Senior management of our Group	1.3319
Mr. He Fan	Senior management of our Group	11.1881
Ms. Li Ailing	Senior management of our Group	10.0693
Mr. Li Yong	Employee of our Group	2.2376
Mr. Zou Bangxin	Employee of our Group	8.9505
Mr. Zhu Lixun	Employee of our Group	4.4752
Ms. Zhu Mingxia	Employee of our Group	4.4752
Ms. Leng Xinlan	Employee of our Group	2.2376
Mr. Cheng Zai	Employee of our Group	2.2376
Ms. Liang Renhong	Employee of our Group	2.2376
Ms. Pan Danting	Employee of our Group	4.4752

(6) The general partner of Xuanyang Investment is Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder, and the limited partnership of Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan.

(7) On May 20, 2017, Hongde Education and Mr. Chen Qiyuan entered into a right entrustment agreement, pursuant to which Hongde Education irrevocably authorized Mr. Chen Qiyuan to exercise all the voting rights as a shareholder of Shenzhen Scholar to the extent as permitted by the PRC laws and the articles of association of Shenzhen Scholar.

(8) Ms. Chen Meiqin is an Independent Third Party.

(9) As at the Latest Practicable Date, there were 58 branch companies under Shenzhen Scholar.

(10) The ten subsidiaries are Dongguan Houjie Scholar Training Center Co., Ltd.* (東莞市厚街思考樂培訓中心有限公司), Dongguan Dalang Scholar Training Center Co., Ltd.* (東莞市大朗思考樂培訓中心有限公司), Dongguan Guancheng Scholar Training Center Co., Ltd.* (東莞市莞城思考樂培訓中心有限公司), Dongguan Wanjiang Scholar Training Center Co., Ltd.* (東莞市萬江思考樂培訓中心有限公司), Dongguan Humen Scholar Training Center Co., Ltd.* (東莞市虎門思考樂培訓中心有限公司), Dongguan Dongcheng Scholar Training Center Co., Ltd.* (東莞市東城思考樂培訓中心有限公司), Dongguan Guancheng Diwang Scholar Training Center Co., Ltd.* (東莞市莞城地王思考樂培訓中心有限公司), Dongguan Dongcheng Dongtai Scholar Training Center Co., Ltd.* (東莞市東城東泰思考樂培訓中心有限公司), Dongguan Changan Scholar Training Center Co., Ltd.* (東莞市長安思考樂培訓中心有限公司) and Dongguan Changping Scholar Training Center Co., Ltd.* (東莞市常平思考樂培訓中心有限公司).

(11) The Shares held by Brilliant Faith shall be counted towards the public float of our Company upon Listing.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisor confirmed that the establishment of Shenzhen Fengye and our PRC Operating Entities and their respective subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

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

SAFE REGISTRATION

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

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

As advised by our PRC Legal Advisor, Mr. Chen Qiyuan and all our PRC ultimate beneficial owners have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 by March 16, 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) Shenzhen Fengye was both 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 Advisor, the establishment of Shenzhen Fengye and the Corporate Reorganization are not subject to the M&A Rules, and the Listing does not require approvals from CSRC and MOFCOM under the M&A Rules.

BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct our K-12 after-school tutoring business through our PRC Operating Entities in the PRC. Based on the interviews with competent authorities in Guangdong and Xiamen, Fujian province, we cannot convert any of our PRC Operating Entities into Sino-foreign joint venture entities as a matter of practice or due to lack of implementation rules. As such, our Company adopted the Structured Contracts to control and enjoy the economic benefits generated by our PRC Operating Entities. We do not hold any equity interest in our PRC Operating Entities. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating 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 Structured Contracts for the existing PRC Operating Entities. For the entities to be newly established or invested in, they are required to enter into a deed of adherence such that they shall also be bound by the terms and conditions of the existing Structured Contracts in all material aspects.

K-12 After-school Tutoring Services

Pursuant to the List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單) (2018年版)》, the "Negative List"), the provision does not explicitly prohibit or restrict the participation of foreign-invested entities in K-12 after-school tutoring services. As such, there is uncertainty in practice as to (i) whether foreign investors are permitted to invest in tutoring business in the PRC; (ii) if foreign investment is permitted, whether tutoring business invested by foreign investors must comply with the Sino-Foreign Regulations and its implementation measures and whether such companies offering tutoring business must operate through Sino-foreign joint venture entities; and (iii) if Sino-Foreign Regulations are applicable, 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 education authorities that it meets the Qualification Requirement (as defined below).

Pursuant to the Sino-Foreign Regulations, for any educational institution operated as a Sino-foreign joint venture entity, the foreign investor in the Sino-foreign joint venture entity must be a foreign educational institution with relevant qualification and high quality of education (the "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the MOE on June 18, 2012 ("Implementation Opinions"), the foreign portion of the total investment in a Sino-foreign joint venture entity should be below 50% (the "Foreign Ownership Restriction"). In addition, the Negative List sets forth the restrictive measures for the market entry of foreign investors, such as equity requirements and senior manager requirements. The Negative List requires that foreign investors may only operate educational institutions offering such education services through Sino-foreign education institutions that are in compliance with the Sino-foreign Regulations. Moreover, 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 chief executive officer of the educational institutions shall be a PRC national, and (b) the representatives of the domestic party shall account for no less than half of the total numbers of the board of directors, the executive council or the joint administration committee of the Sino-foreign education institution (the "Foreign Control Restriction"). However, the provision of K-12 after-school education services, which our Group is engaged in, is not expressively included in the Negative List.

Given the uncertainty, with the assistance of our PRC Legal Advisor, we consulted Education Department of Guangdong Province* (廣東省教育廳) and Xiamen Bureau of Education* (廈門市教育局) (the "Relevant Education Authorities") on July 31, 2018 and August 22, 2018, respectively. Our PRC Legal Advisor also made a follow-up telephone enquiry with Xiamen Bureau of Education on September 29, 2018. We were advised by a researcher of Policy and Regulation Office of the Education Department of Guangdong Province, a vice director of Development and Planning Office* (發展規劃處) and an officer of International Cooperation Office* (國際合作處) of Xiamen Bureau of Education, respectively, that:

(i) foreign investors operating educational institutions in the PRC (which in the case of our Company, either in the form of private non-enterprise units or corporate entities offering K-12 after-school education services) must comply with the Sino-Foreign Regulations and must operate such educational institutions through Sino-foreign education institutions;

(ii) the Foreign Ownership Restriction and the Qualification Requirement apply to Sino-foreign education institutions in Guangdong province and in Xiamen, Fujian province;

(iii) as a matter of practice, no Sino-foreign education institution offering K-12 after-school education services, either in the form of private non-enterprise units or corporate entities, had been approved by the Education Department of Guangdong Province or Xiamen Bureau of Education in the past;

(iv) no implementing measures or specific guidance for establishment of Sino-foreign education institution offering K-12 after-school education services pursuant to the Sino-Foreign Regulations had been promulgated in Guangdong province and in Xiamen, Fujian province; and

(v) the execution of the Structured Contracts, including the payment of service fees thereunder, does not require approval from or filing at the education authorities in the PRC. The Structured Contracts would not affect the holding or renewal of the permissions and licenses that had already been obtained.

On February 18, 2019 and February 19, 2019, our PRC Legal Advisor made further enquiries with Education Department of Guangdong Province and Xiamen Bureau of Education, respectively, and was advised by an officer of the Exchange Cooperation Office* (交流合作處) of Education Department of Guangdong Province and an officer of the International Cooperation and Exchange Office* (國際合作與交流處) of Xiamen Bureau of Education that, as a matter of policy, no establishment of Sino-foreign education institution offering K-12 after-school education services will be approved unless the Sino-foreign Regulations are modified or the relevant implementing measures or specific guidance are promulgated in the future.

Our PRC Legal Advisor is of the view that Education Department of Guangdong Province and Xiamen Bureau of Education are the competent authorities and the aforesaid interviewees are competent to provide the above confirmations.

In order to comply with the PRC laws and regulations while availing our Company to the international capital markets and maintaining effective control over our PRC Operating Entities, our Company adopts the Structured Contracts to consolidate the financials of our PRC Operating Entities.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any governing bodies to adopt the Structured Contracts and the consolidated financial results of our PRC Operating Entities, which engage in K-12 after-school tutoring services, are consolidated to those of our Group. Our PRC Legal Advisor has opined that each of our PRC Operating Entities has been legally established and except for those disclosed under "— Legality of the Structured Contracts — PRC Legal Opinions" in this section and "Risk Factors — Risks relating to our Structured Contracts" of this prospectus, the Structured Contracts in relation to the operation of K-12 after-school tutoring business are valid, legal and binding and do not contravene PRC laws and regulations.

Our Directors believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only applied to enable our Group to address the limits on foreign ownership, and consolidate the financial results of our PRC Operating Entities which engage in the business of K-12 after-school tutoring services, which are subject to foreign investment restriction in accordance with the applicable PRC laws and regulations.

Circumstances in which We Will Unwind the Structured Contracts

Under the Sino-Foreign Regulations, foreign investment in tutoring services 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 entity and not less than 50% of the governing body of the institute offering K-12 after-school tutoring 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 Structured Contracts and directly hold an equity interest of less than 50% in the relevant entity (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 entity up to no more than 50%. However, our Company will not be able to control such entity without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met, our Company will still rely on contractual arrangements to establish control over the entities. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant entity. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Structured Contracts;

— in circumstance (b), we will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant entity (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 entity up to no more than 50%. However, our Company will not be able to control such school without the Structured Contracts in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members of the board of directors of the entity;

— in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-foreign joint venture entities, the Sino-Foreign Regulation still dictates that there be a domestic interest in the entity and we are ineligible to operate the entities 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 entity. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Structured Contracts. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant entities directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Structured Contracts; and

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

In addition, Shenzhen Fengye has undertaken 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 is no other change 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 Operating Entities and unwind the contractual arrangements accordingly. See "Termination of the Structured Contracts" in this section of this prospectus for further details.

Each of the Registered Shareholders has further undertaken that subject to the applicable PRC laws and regulations, he/she/it will return to us any consideration he/she/it receives in the event that we acquire the interests in our PRC Operating Entities when unwinding the Structured Contracts. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement" in this prospectus for 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 Relevant Education Authorities, they will not accept an application to convert our PRC Operating Entities or the entities to be newly established or invested by us into Sino-foreign joint venture entities at this stage and in the foreseeable future. Our PRC Legal Advisor is of the view that based on the above, although it is not possible for the Relevant Education Authorities to accept our application to convert any of our PRC Operating Entities into Sino-foreign joint venture entities 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. On January 25, 2018, we have established a subsidiary in Hong Kong, named Youshine International, which will primarily operate and manage our proposed learning center in Hong Kong and serve as the main control hub of our overseas business in the future. Youshine International will also be responsible for, among other things:

(a) recruiting and employing overseas education professionals and advisors;

(b) negotiating and executing contracts for international business cooperation (if any); and

(c) investing in or acquiring overseas education businesses as and when appropriate.

Leveraging our rich experience in providing after-school education with Chinese teaching methods, high-quality teaching materials and in-depth understanding of Chinese education system in Shenzhen and the Guangdong-Hong Kong-Macau Greater Bay Area, we currently plan to establish and operate a learning center in Hong Kong which offers after-school education services with a focus on Chinese-related tutoring courses to primary and secondary school students in Hong Kong. For details of the regulatory environment in Hong Kong for the operation of private learning centers, see "Regulation Overview — Regulations on Private Learning Centers in Hong Kong" in this prospectus. On December 24, 2018, we entered into a lease confirmation with an Independent Third Party for a premises to be used as the proposed learning center and office. The monthly rent for the lease is approximately HK$33,900 (excluding management fees and government rent and rates) and the lease has a term of three years commencing from January 1, 2019.

In addition, on December 18, 2018, we have engaged a consultant who is an Independent Third Party with experience in applying for an education license in Hong Kong for learning centers and after-school tutoring service providers. Services provided by such consultant include venue inspections, planning and construction of premises. After consulting the consultant, we expect to submit a formal application to the Education Bureau in Hong Kong regarding the establishment of the proposed learning center as soon as practicable. Barring unforeseen circumstances, the approval process upon submission of the application is expected to take approximately five to six months, as advised by the consultant. To establish our learning center in Hong Kong: (i) we have conducted site visits on the leased properties with the assistance of the consultant, and are in the process of conducting classroom design and planning to meet relevant requirements in obtaining the education license, including fire safety and other building-related requirements. We are also in the process of designing and formulating curriculums in preparation of submitting the application for the education license; (ii) we plan to utilize the extensive resources of our own teaching materials at our headquarters in Shenzhen and convert such resources to courses that are applicable to our learning center in Hong Kong; (iii) we expect to search for suitable teaching staff to support our operations of the learning center in Hong Kong; and (iv) after consultation with the consultant, we plan to engage suitable renovation companies and qualified contractors to furnish our teaching premises for the operation of our proposed learning center in Hong Kong.

For the establishment of our learning center in Hong Kong, we expect to invest approximately HK$14 million primarily by utilizing our internally-generated resources in the first five years since our preparation for the establishment, among which, approximately HK$700,000 has been expended as at the Latest Practicable Date. For details, please see "Business — Our planned overseas business" in this prospectus.

In the opinion of our PRC Legal Advisor, if both of the Foreign Ownership Restriction and the Foreign Control Restriction under the Sino-foreign Regulations are removed but the Qualification Requirement remains and our Group is able to gain a level of foreign experience, taking the measures set forth above, sufficient to demonstrate compliance with the Qualification Requirement (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 entities), our Group will be able to operate our PRC Operating Entities in the PRC directly subject to the approval from the competent education authorities.

Our PRC Legal Advisor is of the view that our plan to set up the proposed learning center in Hong Kong is appropriate and reasonable to comply with the Qualification Requirement based on the following:

(a) pursuant to the Sino-foreign Regulations, foreign investors in a Sino-foreign Education Institution shall be a foreign educational institution with the relevant qualification and high educational quality;

(b) according to the consultation with the Relevant Education Authorities, there are no implementing measures or specific guidance on the Qualification Requirement and they have not approved an application to establish a Sino-foreign Education Institution offering K-12 after-school education services; and

(c) we have committed financial and other resources and will continue to make best efforts to offer consistently high-quality education in our proposed learning center in Hong Kong by recruiting qualified teachers and leveraging our experience in education.

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

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

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

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and the Pre-IPO investment, and maintaining effective control over all of our operations, on April 9, 2018, our wholly-owned subsidiary, Shenzhen Fengye, entered into various agreements (the "Previous Agreements") with, among others, Shenzhen Scholar, under which all economic benefits arising from the business of our PRC Operating Entities are transferred to Shenzhen Fengye to the extent permitted under the PRC laws and regulations by means of service fees payable by Shenzhen Scholar. As advised by our PRC Legal Advisor, the contents and the execution of the Previous Agreements did not violate any relevant PRC laws and regulations.

In order to fully comply with the relevant guidance issued by the Stock Exchange on contractual arrangements, on January 13, 2019, Shenzhen Fengye entered into various agreements with, among others, our PRC Operating Entities that constitute the Structured Contracts and superseded the Previous Agreements. Pursuant to the Structured Contracts, all economic benefits arising from the business of our PRC Operating Entities are transferred to Shenzhen Fengye to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Operating Entities. As advised by our PRC Legal Advisor, Shenzhen Fengye obtains controls over our PRC Operating Entities through the Structured Contracts (including the PRC Operating Entities in the form of limited liability companies and Scholar Center which is in the form of a private non-enterprise unit) and derives substantially all economic benefits arising from the business of them to the extent permitted under the PRC laws and regulations based on the following:

(a) Shenzhen Fengye, or its designated third party, is granted an exclusive option to purchase all or part of the equity interests in our PRC Operating Entities held by the Registered Shareholders for nil consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which Shenzhen Fengye or its designated third party is permitted under the PRC laws and regulations to own all or part of the equity interests of our PRC Operating Entities pursuant to the Exclusive Call Option Agreement.

(b) Shenzhen Fengye has a call option to purchase part or all the assets of our PRC Operating Entities (including the PRC Operating Entities in the form of limited liability companies and Scholar Center which is in the form of a private non-enterprise unit) for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which Shenzhen Fengye is permitted under PRC laws and regulations to own all or part of the assets of our PRC Operating Entities pursuant to the Exclusive Call Option Agreement.

(c) Shenzhen Fengye, or any person designated by Shenzhen Fengye or its successors or liquidators (excluding the Registered Shareholders or persons who may give rise to conflicts of interests), is exclusively appointed as the Registered Shareholder's attorney-in-fact to appoint directors and vote on his or its behalf on all matters of Shenzhen Scholar requiring shareholders' approval under its articles of association and under the relevant PRC laws and regulations in accordance with the Shareholders' Powers of Attorney.

(d) Under the Exclusive Corporate Operation and Business Process Consultancy Service Agreement, all of our PRC Operating Entities appointed Shenzhen Fengye as the exclusive services provider.

(e) In order to prevent the leakage of assets and values of our PRC Operating Entities, pursuant to the Structured Contracts, without the prior written approval from Shenzhen Fengye, our PRC Operating Entities shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation. See "Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts."

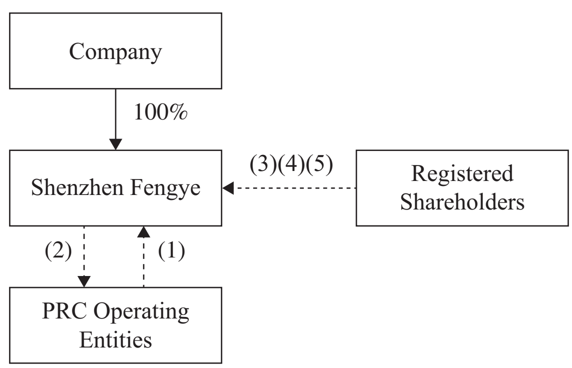
(f) By entering into the Equity Pledge Agreement, the Registered Shareholders pledged all of their equity interests in Shenzhen Scholar, respectively, to Shenzhen Fengye to guarantee the performance of, among others, the obligations of Shenzhen Scholar, the Registered Shareholders and the PRC Operating Entities mentioned in (a) to (e) above.

(g) Pursuant to the Spouse Undertaking, the spouse of Mr. Chen Qiyuan, the individual Registered Shareholder who was married, undertakes not to take any actions to prevent the performances under the Structured Contracts.

(h) To enhance the enforceability of the Structured Contracts, each of the Structured Contracts contains an effective and enforceable dispute resolution mechanism. See "— Dispute Resolution".

Our PRC Legal Advisor is of the view that since (i) the number of Registered Shareholders do not impact the enforceability of the Structured Contract under the PRC laws; and (ii) as the existing arrangements have been in place and measures have been adopted in the Structured Contracts to enhance the enforceability of the Structured Contracts against Registered Shareholders (see "— Summary of the Material Terms of the Structured Contracts"), there is no additional step under the PRC Laws which is necessary to be taken to ensure its enforceability.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to Shenzhen Fengye stipulated under the Structured Contracts:



—— denotes direct legal and beneficial ownership in the equity interest
----- denotes Structured Contracts

Notes:

1. Payment of service fees. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Corporate Operation and Business Process Consultancy Service Agreement" in this prospectus for details.

2. Provision of exclusive technical services. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (2) Exclusive Technical Service Agreement" in this prospectus for details.

3. Exclusive call option to acquire all or part of the interest in Shenzhen Scholar. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement" in this prospectus for details.

4. Entrustment of shareholders' right including Shareholders' power of attorney. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Powers of Attorney" in this prospectus for details.

5. Pledge of equity interest by the Registered Shareholders of their equity interest in Shenzhen Scholar. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (5) Equity Pledge Agreement" in this prospectus for details.

Summary of the Material Terms of the Structured Contracts

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

(1) *Exclusive Corporate Operation and Business Process Consultancy Service Agreement*

Pursuant to the Exclusive Corporate Operation and Business Process Consultancy Service Agreement, Shenzhen Fengye shall provide exclusive corporate operation and business process consultancy services necessary for the tutoring business of our PRC Operations Entities, and our PRC Operating Entities shall make payments accordingly.

Such exclusive services as prescribed under the Exclusive Corporate Operation and Business Process Consultancy Service Agreement include but not limited to:

(a) to provide business process outsourcing and operational management consulting services, such as curriculum design, recruitment support and training of staff members;

(b) to prepare development plans and annual working plans as well as business consulting and advising related services;

(c) to provide brand planning activities, marketing research and marketing consulting services; and

(d) to provide other reasonable technical support to facilitate the daily operation of Shenzhen Scholar.

In addition, pursuant to the Exclusive Corporate Operation and Business Process Consultancy Service Agreement:

(a) our PRC Operating Entities undertake to Shenzhen Fengye that, unless with the prior written consent of Shenzhen Fengye or its designated party, our PRC Operating Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on their assets, business operations, obligations and rights, save for transactions conducted in the ordinary course of business; or (ii) on the ability of our PRC Operating Entities to perform the obligations under the Structured Contracts; and

(b) our PRC Operating Entities undertake that, unless with the prior written consent of Shenzhen Fengye or its designated party, our PRC Operating Entities shall not provide any security over equity interest or assets or rights of, or creating encumbrance over equity or assets of our PRC Operating Entities to third parties other than to Shenzhen Fengye or its designated party.

(2) *Exclusive Technical Service Agreement*

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

In consideration of the exclusive technical services provided by Shenzhen Fengye, our PRC Operating Entities agreed to pay Shenzhen Fengye a service fee equal to all of their respective amount of net profits before tax at a quarterly basis.

Pursuant to the Exclusive Technical Service Agreement, unless otherwise prescribed under the PRC laws and regulations, Shenzhen Fengye 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 Shenzhen Fengye to our PRC Operating 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 Agreement. If the applicable PRC laws and regulations clearly stipulate that such intellectual property rights may not be owned by Shenzhen Fengye, our PRC Operating Entities shall grant an exclusive license to Shenzhen Fengye for the use of such intellectual property rights until the transfer of such rights to Shenzhen Fengye become permitted under law.

(3) *Exclusive Call Option Agreement*

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Shenzhen Fengye or its designated purchaser the right to purchase all or part of the equity interest of our Registered Shareholders in Shenzhen Scholar ("Equity Call Option") and the assets of Shenzhen Scholar ("Asset Call Option").

Upon exercise of the Equity Call Option, the purchase price payable by Shenzhen Fengye or its designated purchaser in respect of the transfer of the equity interest in Shenzhen Scholar shall be the lowest price permitted under the PRC laws and regulations. Upon exercise of the Asset Call Option, the purchase price payable by Shenzhen Fengye or its designated purchaser in respect of the transfer of the assets in Shenzhen Scholar shall be RMB1, or if the then lowest price permitted under the PRC laws is higher, then the consideration shall be at the lowest price permitted by PRC laws. Shenzhen Fengye or its designated purchaser shall have the right to purchase such proportion of equity interests or assets of Shenzhen Scholar as it decides at any time.

In the event that PRC laws and regulations allow Shenzhen Fengye or us to directly hold all or part of the equity interest in Shenzhen Scholar, Shenzhen Fengye shall issue the notice of exercise of the Call Options as soon as practicable, and the percentage of equity interest purchased upon exercise of the Call Options shall not be lower than the maximum percentage then allowed to be held by Shenzhen Fengye or us under PRC laws and regulations.

The Registered Shareholders have further undertaken to Shenzhen Fengye that, among others, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its interest in Shenzhen Scholar without the prior written consent of Shenzhen Fengye or as otherwise pledged under the Equity Pledge Agreement;

(b) shall not cause the shareholders meeting or any of the shareholder resolutions of Shenzhen Fengye to approve the sale, transfer, mortgage or disposition in any manner any of interests of Shenzhen Scholar, or create any encumbrance thereon of any security interest, except to Shenzhen Fengye or its designated purchaser in accordance with the Equity Pledge Agreement;

(c) shall not agree to or procure Shenzhen Scholar to divide into or merge with other entities, or shall not agree to the increase or reduction of capital investment in Shenzhen Scholar without the prior written consent of Shenzhen Fengye;

(d) shall not without the prior written consent of Shenzhen Fengye, dispose of or procure the management of Shenzhen Scholar to dispose of any material assets (other than disposal during the ordinary course of business) or to create any encumbrance over material assets, save for the transfer of assets to Shenzhen Fengye or its designated entity;

(e) shall not agree to or procure Shenzhen Scholar to declare or in substance distribute any distributable reasonable return or agree to such distribution without the prior written consent of Shenzhen Fengye;

(f) shall not agree to or procure Shenzhen Scholar to amend its articles of association without the prior written consent of Shenzhen Fengye;

(g) shall use its best endeavors to develop the business of Shenzhen Scholar and ensure compliance with laws and regulations by Shenzhen Scholar, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of Shenzhen Scholar without the proper written consent of Shenzhen Fengye;

(h) shall, prior to the transfer of its interest to Shenzhen Fengye or its designated purchaser and without prejudice to the Shareholders' Voting Rights Entrustment Agreement, execute all documents and take all actions necessary for holding and maintaining the ownership of its interest in Shenzhen Scholar;

(i) shall sign all documents and take all necessary actions to facilitate transfer of its interest or assets in Shenzhen Scholar to Shenzhen Fengye or its designated purchaser;

(j) shall take all such actions to facilitate Shenzhen Scholar in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by the registered shareholders on its part;

(k) shall not terminate or procure the management of Shenzhen Scholar to terminate any material contract or to enter into any other contracts which may contradict such material contracts (which includes any agreement under which the amount involved exceeds RMB15 million, the Structured Contracts and any agreement of a similar nature or content to the Structured Contracts) without the prior consent of Shenzhen Fengye;

(l) shall, in its capacity as a registered shareholder of Shenzhen Scholar appoint or hire the persons designated by Shenzhen Fengye to be the directors and senior management of Shenzhen Scholar, and not to appoint or remove the directors and senior management of Shenzhen Scholar without the prior written consent of Shenzhen Fengye;

(m) in the event that the consideration paid by Shenzhen Fengye or its designated purchaser for the transfer of all or part of interest or assets in Shenzhen Scholar exceeds nil, shall pay such excess amount to Shenzhen Fengye or its designated entity;

(n) shall ensure that Shenzhen Scholar does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations outside its ordinary course of business without the prior consent of Shenzhen Fengye; and

(o) in the event of the dissolution and liquidation of Shenzhen Scholar, the Registered Shareholders undertake that, among others, Shenzhen Fengye and/or its designee shall have the right to exercise all shareholders' rights on behalf of the Registered Shareholders and Shenzhen Scholar and shall instruct Shenzhen Scholar to transfer assets received under PRC laws directly to Shenzhen Fengye and/or our designee.

(4) ***Shareholders' Voting Rights Entrustment Agreement***

Pursuant to the Shareholders' Voting Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Shenzhen Fengye or its designated person (excluding any person who is not independent from our Company or may give rise to any conflict of interest) to exercise all of his/her/its respective rights as shareholders of Shenzhen Scholar to the extent permitted by the PRC laws. These rights include: (a) the right to propose to convene and attend shareholders' meetings of Shenzhen Scholar; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Shenzhen Scholar; (c) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his or their capacity as shareholders of Shenzhen Scholar; (d) the right to handle the legal procedures of registration, approval and licensing of Shenzhen Scholar in the relevant governmental authorities; and (e) other shareholders' voting rights pursuant to applicable PRC laws and regulations and the articles of association of Shenzhen Scholar as amended from time to time.

In addition, each of the Registered Shareholders has irrevocably agreed that (i) Shenzhen Fengye may delegate its rights under the Shareholders' Voting Rights Entrustment Agreement to its designated person, without prior notice to or approval by the Registered Shareholders, and any related actions must be decided by its officers or directors who are not Registered Shareholders; and (ii) any person as successor of civil rights of Shenzhen Fengye or liquidator by reason of subdivision, merger, liquidation of Shenzhen Fengye or other circumstances shall have authority to replace Shenzhen Fengye to exercise all rights under the Shareholders' Voting Rights Entrustment Agreement.

(5) ***Equity Pledge Agreement***

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

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

(a) any of the Registered Shareholders and/or Shenzhen Scholar commits any breach of any obligations under the Structured Contracts;

(b) any borrowing, guarantee, indemnity, commitment or other repayment of obligation provided by any of the Registered Shareholders and/or Shenzhen Scholar to third parties are required to be fulfilled in advance, which causes material adverse influence over the performance of Registered Shareholders and/or Shenzhen Scholar under the Structured Contracts; or

(c) there is material adverse change over the assets owned by the Registered Shareholders and/or Shenzhen Scholar, which damages the capability of the Registered Shareholders and/or Shenzhen Scholar to perform the Structured Contracts.

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

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

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

As advised by our PRC Legal Advisor, the pledges under the Equity Pledge Agreement have been registered with the relevant PRC authorities pursuant to applicable PRC laws and regulations and are in effect.

(6) *Shareholders' Powers of Attorney*

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholder in favor of Shenzhen Fengye, each of the Registered Shareholder authorized and appointed Shenzhen Fengye, 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 Shenzhen Scholar, and any related actions must be decided by its officers or directors who are not Registered Shareholders. For details of the rights granted, see "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" in this prospectus.

Shenzhen Fengye shall have the right to further delegate the rights so delegated to its directors or other designated person, and any related actions must be decided by its officers or directors who are not Registered Shareholders. The Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Voting Rights Entrustment Agreement.

(7) *Spouse Undertaking*

Pursuant to the Spouse Undertaking, Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan has irrevocably undertaken that:

(a) she has full knowledge of and has consented to the entering into of the Structured Contracts by Mr. Chen Qiyuan, whether as a contractual party or not, and in particular, the arrangement as set out in the Structured Contracts in relation to the equity interest in Shenzhen Scholar, including but not limited to any restrictions imposed, pledge or transfer or the disposal in any other forms;

(b) she has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution or other matters in relation to our PRC Operating Entities;

(c) she authorizes Mr. Chen Qiyuan and/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 order to safeguard the interest of Shenzhen Fengye under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) she shall not (whether directly or indirectly, actively or passively) act, or omit to act, against the purpose or intention of the Structured Contracts;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertaking 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 interest in shares of Shenzhen Scholar of Mr. Chen Qiyuan; and

(f) any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by reason of her loss of or restriction on capacity, death, divorce or other similar events.

The term of the Spouse Undertaking shall be the same as that of the Exclusive Technical Service Agreement.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation between the parties;

(b) if the parties are unable to settle the dispute within 30 days of such negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of each of our PRC Operating Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Operating Entities; and

(d) 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 PRC Operating Entities are located shall be considered as having jurisdiction for the above purposes.

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

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

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

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

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

As a result of the above, in the event that Shenzhen Scholar or the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shenzhen Scholar and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Structured Contracts" in this prospectus for details.

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

As disclosed above, pursuant to the Spouse Undertaking, Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan has irrevocably undertaken that, among others, she authorizes Mr. Chen Qiyuan and/ 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 order to safeguard the interest of Shenzhen Fengye under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertaking 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 "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (7) Spouse Undertaking" in this prospectus for details.

In addition, as disclosed above, pursuant to the Shareholders' Voting Rights Entrustment Agreement, each of the Registered Shareholders 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. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" in this prospectus for details.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC OPERATING ENTITIES

Pursuant to the Exclusive Call Option Agreement, in the event of the dissolution or liquidation of Shenzhen Scholar, the Registered Shareholders undertake that, among others, Shenzhen Fengye and/or its designee shall have the right to exercise all shareholders' rights on behalf of the Registered Shareholders and shall instruct Shenzhen Scholar to transfer assets received under PRC laws directly to Shenzhen Fengye and/or our designee. See "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement" in this prospectus for details.

Furthermore, Shenzhen Fengye has been irrevocably authorized and entrusted to exercise the rights of our Registered Shareholders as shareholders of Shenzhen Scholar and the rights of the Appointees as directors of our PRC Operating Entities. See "Structured Contracts — Operation of the Structured Contracts — Summary of Material Terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" in this prospectus for details.

LOSS SHARING

In the event that our PRC Operating Entities incur any loss or encounters any operational crisis, Shenzhen Fengye may, but is not obliged to, provide financial support to our PRC Operating Entities.

None of the agreements constituting the Structured Contracts provide that our Company or its wholly-owned PRC subsidiary, Shenzhen Fengye, is obligated to share the losses of our PRC Operating Entities or provide financial support to our PRC Operating Entities. Further, our PRC Operating Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Shenzhen Fengye, is not expressly required to share the losses of our PRC Operating Entities or provide financial support to our PRC Operating Entities. Despite the foregoing, given that our PRC Operating Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our PRC Operating Entities suffer losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the respective sections headed "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (1) Exclusive Corporate Operation and Business Process Consultancy Service Agreement" and "Structured Contracts — Operation of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (3) Exclusive Call Option Agreement" above, the potential adverse effect on Shenzhen Fengye and our Company in the event of any loss suffered from our PRC Operating Entities can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

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

In the event that PRC laws and regulations allow Shenzhen Fengye or us to directly hold all or part of the interest in Shenzhen Scholar and operate tutoring business in the PRC, Shenzhen Fengye shall exercise the Equity Call Option as soon as practicable and Shenzhen Fengye 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 interest that the Registered Shareholders (directly and indirectly) hold in Shenzhen Scholar by Shenzhen Fengye or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the personal undertaking by Mr. Chen Qiyuan and Ms. Chen Meiqin, he/she undertakes to Shenzhen Fengye that, he/she shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with Shenzhen Scholar ("Competing Business") and obtain any benefit from any Competing Business, (ii) if any potential conflict of interests arises in the course of performing the obligations under the structured contracts, he/she would defend the interests of our Company under the structured contracts in accordance with the instructions of our Company.

Further, each of the Registered Shareholders has given his/their irrevocable undertakings in the Shareholders' Voting Rights Entrustment Agreement and the Shareholders' Powers of Attorney which address potential conflicts of interests that may arise in connection with the Structured Contracts. See "Structured Contracts — Operations of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (4) Shareholders' Voting Rights Entrustment Agreement" and "Structured Contracts — Operations of the Structured Contracts — Summary of the Material Terms of the Structured Contracts — (6) Shareholders' Powers of Attorney" in this prospectus for details.

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisor is of the opinion that the Structured Contracts are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

(a) each of our PRC Operating Entities and Shenzhen Fengye was duly established and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations;

(b) each of the parties has the due capacity to enter into the Structured Contracts. The Structured Contracts, as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto once signed;

(c) no existing effective PRC law explicitly prohibits contractual arrangements in the tutoring business in the PRC and none of the content or the execution of the Structured Contracts violates any provisions of PRC laws. Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC Contract Law;

(d) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities and Shenzhen Fengye, respectively;

(e) the parties to each of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that the Exclusive Call Option Agreement is subject to approval or filing by MOFCOM or its branch, and registration with the local administration bureau for industry and commerce upon the exercise by our Company of its rights under the Exclusive Call Option Agreement to acquire all or part of the equity interests in Shenzhen Scholar; and

(f) each of the Structured Contracts is enforceable under PRC laws, except that: (i) the Exclusive Call Option Agreement, once contemplated, is subject to applicable approval and/or registration requirements under the then applicable PRC laws; and (ii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement.

For details in relation to the risks involved in the Structured Contracts, see "Risk Factors — Risks Relating to Our Structured Contracts" in this prospectus.

Directors' Views on the Structured Contracts

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our PRC Operating Entities which engage or will engage in the operation of K-12 after-school tutoring business, where the PRC laws and regulations do not explicitly prohibit or restrict the participation of foreign-invested entities in K-12 after-school tutoring services.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of our PRC Operating Entities can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisor, our Directors are of the view that the Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this section.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the Listing and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Structured Contracts are fundamental to our Group's legal structure and business operations, 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.

CONSOLIDATION OF FINANCIAL RESULTS OF OUR PRC OPERATING ENTITIES

According to HKFRSs 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Operating Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Operating Entities. The basis of combining the results of our PRC Operating Entities is disclosed in note 1.3 of Section 1 to the Accountants' Report. Our Directors consider that our Company can consolidate the financial results of our PRC Operating 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 the Structured Contracts

As advised by the PRC Legal Advisor, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment, then the Foreign Investment Law would not apply to, or have any impact on, the Structured Contracts, and it would not substantially change the identification of foreign investors in the context of foreign investment and the principle of recognition and treatment of contractual arrangements compared with the current PRC laws and regulations, therefore the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts 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 prescribed by the State Council may regard contractual arrangements as a form of foreign investment, and then whether the Structured Contracts will be recognized as foreign investment, whether the Structured Contracts will be deemed to be in violation of the foreign investment access requirements and, as at the Latest Practicable Date, how the above-mentioned Structured Contracts will be handled are uncertain. Therefore, there is no guarantee that the Structured Contracts and the business of our PRC Operating Entities will not be materially and adversely affected in the future. See "Risk Factors — Risks relating to our Structured Contracts — Substantial uncertainties exist with respect to the enactment timetable, 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.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

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

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

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

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

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts — Background of the Structured Contracts" and the latest development of the Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts — 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;

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Structured Contracts, review the legal compliance of Shenzhen Fengye and our PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts; and

(f) our Company will disclose, as soon as reasonably practicable (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the final Foreign Investment Law as implemented, specific measures taken by us to fully comply with the final Foreign Investment Law supported by a PRC legal opinion and any material impact of the final Foreign Investment Law on our operations and financial position.

In addition, notwithstanding that our executive Director, Mr. Chen Qiyuan 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 our 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 our 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

Among the top five K-12 after-school education service providers in Guangdong province as measured by revenue for 2018, we are the fastest-growing based on the CAGR of revenue from 2015 to 2018, according to the F&S Report. We ranked fourth in terms of revenue for 2018 among K-12 after-school education service providers in Guangdong province with a market share of approximately 0.9%, according to the F&S Report. We are also the second largest K-12 after-school education service provider in Shenzhen as measured by revenue for 2018, with a market share of approximately 2.5%, according to the F&S Report. We are based in Shenzhen with operations extending to the Guangdong-Hong Kong-Macau Greater Bay Area and Fujian province. As of the Latest Practicable Date, we operated 61 learning centers across five cities in Guangdong and Fujian provinces.

We offer a comprehensive suite of after-school education services through our academic preparation program and early primary education program. Our academic preparation program is delivered under our "Sheng Xue" (升學) brand and offers classes to students in Grade One through Grade 12 in school academic subjects with a focus on helping students improve their school academic performance and preparing them for entrance exams for middle school, high school and universities. Our early primary education program is delivered under our "Le Xue" (樂學) brand and offers childhood education courses and hobby courses such as languages and performing arts to students from Grade One to Grade Three. All of our classes are delivered in small class settings typically consisting of no more than 20 students per class.

We have a highly qualified teaching team. We hire teachers primarily on a full-time basis with a view to ensuring the consistent quality of our education services. As of the Latest Practicable Date, we had 1,118 full-time teachers. We place strong emphasis on providing rigorous and systematic training for our teachers. We have established a dedicated teacher training academy to develop and administer our comprehensive training programs. We have also established cooperation with a number of teachers' colleges, which train some of their students to work for us based on our specific requirements and standards, thereby helping us build a pipeline of qualified teachers and achieve the sustainable long-term development of our business.

In addition to helping students improve their academic performance, we are committed to stimulating students' interest in learning, developing their learning habits and integrating character education into our course offerings. Our education quality to a large extent is supported by our innovative teaching methods, course materials and information management systems. To ensure the quality of our teaching, we had a dedicated team of 140 employees focusing on development, upgrading and improvement of our course materials and teaching methods as of December 31, 2018.

We experienced significant growth during the Track Record Period. The number of our learning centers increased from 28 as of December 31, 2016 to 49 as of December 31, 2017, and further to 54 as of December 31, 2018. Our total student enrollments grew from approximately 97,046 for the year ended December 31, 2016 to 145,833 for the year ended December 31, 2017, and further increased to 241,203 for the year ended December 31, 2018, representing a CAGR of

57.7%. The total tutoring hours we delivered increased from 2,737,030 for the year ended December 31, 2016 to 4,616,179 for the year ended December 31, 2017, and further increased to 6,346,537 for the year ended December 31, 2018, representing a CAGR of 52.2%. Our revenue generated from continuing operations increased from RMB170.8 million for the year ended December 31, 2016 to RMB375.8 million for the year ended December 31, 2017, and further increased to RMB493.1 million for the year ended December 31, 2018. Our gross profit increased from RMB56.3 million in 2016 to RMB123.5 million in 2017, and further increased to RMB186.7 million for the year ended December 31, 2018.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors in the future.

We are the fastest-growing among the top five K-12 after-school education service providers in Guangdong Province.

Among the top five K-12 after-school education service providers in Guangdong province as measured by revenue for 2018, we are the fastest-growing based on the CAGR of revenue from 2015 to 2018, according to the F&S Report. We ranked fourth in terms of revenue for 2018 among K-12 after-school education service providers in Guangdong province with a market share of approximately 0.9%, according to the F&S Report. We ranked second in Shenzhen among K-12 after-school education service providers as measured by revenue and student enrollments for the year ended December 31, 2018, according to the F&S Report. As of the Latest Practicable Date, we operated a total of 61 learning centers across five cities in China.

We believe that our geographic location provides unique competitive advantages. We are based in Shenzhen with operations extending to the Guangdong-Hong Kong-Macau Greater Bay Area and Fujian province. Shenzhen is one of the fastest-growing cities in China with a continuous strong inflow of middle class families, which has created a strong demand for K-12 after-school tutoring services. From 2013 through 2018, the population growth rate in Shenzhen was the highest among China's first-tier cities, according to the F&S Report. Large numbers of new immigrant families with limited access to permanent residence-based school allocation, among other reasons, continue to intensify competition among Shenzhen's students to enter a desired school. In 2018, 66.4% of the students who participated in Zhongkao in Shenzhen were admitted into high schools, but only 47.7% of them were admitted into public high schools and only 10.4% of those who took Zhongkao in Shenzhen were admitted into the top eight public high schools in Shenzhen, according to the F&S Report. For students who took the Gaokao in Guangdong province, the admission rate into universities was 39.0% in 2018, lower than the national average of 43.0% and significantly lower than that of other developed regions. For Beijing, Shanghai, Jiangsu province and Zhejiang province, the admission rates were 61.0%, 71.0%, 59.0% and 47.0%, respectively, for 2018, according to the F&S Report. In terms of the admission rate into China's top universities labeled as "Project 211 universities", Guangdong province ranked the lowest in China with its 2.93% admission rate, according to the F&S Report. Given the slim chance of getting admitted into a top university and the high value Chinese families place on their children's education, we believe that

Chinese parents are generally willing to make significant investment to improve their children's school results. Education resources in Shenzhen are still relatively scarce and competition is fierce for top schools at all levels, which has created strong and fast-growing demand for high-quality after-school tutoring services. Guangdong province is one of the most economically-developed regions in China. Its fast-growing economy continues to attract people from other parts of China. As a result, we expect the K-12 after-school education market in Guangdong province to continue to grow at a fast pace. According to a survey of customers of K-12 after-school education services in Shenzhen, Dongguan and Foshan conducted by Frost & Sullivan in July 2018, we have gained high recognition from students and their parents in Shenzhen, Dongguan and Foshan. We believe that we are well-positioned to capitalize on the growth opportunities presented by the Guangdong-Hong Kong-Macau Greater Bay Area and will be able to replicate our past success in Shenzhen in more geographic locations in the Guangdong-Hong Kong-Macau Greater Bay Area and Fujian province.

Our advanced educational philosophy and well-recognized brand help to ensure a strong and stable student pipeline.

We are committed to our core educational philosophy of "focus on academic excellence to enable our students to achieve their aspirations" (博學精教，成就學生) in our education services. We primarily focus on students who fall in the middle of the spectrum of academic abilities. We help to stimulate students' interest in academic studies, improve their self-motivation and enhance their enthusiasm to achieve their full potential.

We have implemented Perfect Teaching System (the "PTS teaching method"), which we believe reflects our efforts and extensive practical experience in tutoring. Through our PTS teaching method, we divide a tutoring class into various key elements, including reviewing key points from previous class, in-class tests, marking students' work, lecturing, practicing, raising questions to stimulate students' thinking, answering practice questions, and summarizing the class which progress in stages and help students to achieve effective learning.

We promote a lively classroom environment and believe that students learn the best when they learn in a happy atmosphere. We have gained high recognition from students and their parents in Dongguan and Foshan since entering those markets in 2017 and 2018, respectively, according to a survey of customers of K-12 after-school education services in Shenzhen, Dongguan and Foshan conducted by Frost & Sullivan in July 2018. In particular, we ranked first in terms of customer satisfaction with learning results in Foshan, according to the survey conducted by Frost & Sullivan. We have established a Dual-Core Development Omnidirectional People System, or the "Dual-Core DPS Educational philosophy" (雙核DPS培養系統), which is centered around core values such as knowledge application and problem-solving to help our students grow along both metrics.

We provide detailed and personalized services to students and their parents. We require our teachers to keep in touch with parents and follow up with parents through our home-school interconnection system, WeChat and our mobile application regularly, hold online and in-person parent seminars from time to time, in order to enhance our service standards. We have achieved industry-leading brand recognition/brand awareness and net promoter score in Shenzhen, Dongguan and Foshan, according to a survey of customers of K-12 after-school education services in Shenzhen, Dongguan and Foshan conducted by Frost & Sullivan in July 2018.

We believe our well-known brand and reputation have also contributed to the recognition and popularity we have gained from students and their parents. We leverage our brand to recruit students through various channels such as online advertisements and offline physical promotional campaigns to maintain a stable student pipeline. In 2016, 2017 and 2018, our student retention rate was 63.3%, 66.2% and 68.3%, respectively, and 46.7%, 49.3% and 46.8% of our students were enrolled in more than one subject. We have received numerous awards and recognitions. For example, we were recognized as a "Reliable Education Service Brand" (2018年度公信力教育品牌) in 2018 by Tencent.com, a "Renowned Education Institution" (2018年度品牌實力教育機構) in 2018 by Sina.com, a "Well-known Education Brand" (2017年度知名教育品牌) in 2017 by Tencent.com and the "Most Trustworthy Education Brand" (最具誠信教育品牌) in 2017 by Southern Metropolis Daily (南方都市報).

We believe our advanced educational philosophy and well-recognized brand is essential to our success in the highly fragmented K-12 after-school education market in Guangdong province and will continue to drive our future growth.

Our rich and comprehensive service offerings are tailored to fundamental education in China and serve the full spectrum of K-12 student groups.

We believe our tutoring curriculums are designed to cater for students preparing for school or public examinations under the national syllabus for fundamental education in China. When designing teaching materials, we endeavor to incorporate specific characteristics of different cities after conducting market research on local educational landscape and tailor our teaching materials to adapt to local students' needs.

We offer a comprehensive suite of after-school education services for K-12 student groups ranging from primary school to high school. We primarily deliver our tutoring services to our students through small class settings, typically consisting of no more than 20 students per class. Currently, our tutoring classes are delivered under the brands of "Sheng Xue" (升學) and "Le Xue" (樂學). The breadth of our service offerings provides us with reliable, diverse and stable revenue streams.

We have derived our revenue substantially from our academic preparation program and our early primary education program. Our academic preparation program offers classes for students from Grade One to Grade 12 with a specific focus on helping students improve their performance in academic subjects and preparing them for school entrance exams for middle school, high school and universities. Our early primary education program offers childhood education courses and hobby courses to students from Grade One to Grade Three of primary school. Our curriculums are generally designed to cater to the specific requirements of students, such as enhancing skills and addressing weaknesses in particular subjects. We endeavor to design our course materials with reference to fundamental education curriculums in China. We believe that our rich and comprehensive service offerings address the differentiated needs of students in fundamental education and have enabled us to attract students from all age groups.

We have a high-quality teaching team supported by well-developed training and incentive systems.

We believe the quality of our teachers is critical to the high quality and standards of the K-12 after-school education services we provide. We believe we have built a highly qualified teaching team by adopting stringent teacher recruitment standards and a selective hiring process, as well as providing quality training to our teachers. We hire teachers primarily on a full-time basis with a view to ensuring the consistent quality of our education services. As of the Latest Practicable Date, we had 1,118 full-time teachers and 88.5% of them had a bachelor's degree or above.

We place strong emphasis on providing rigorous and systematic training for our teachers. We have a well-designed and stringent teaching performance monitoring and evaluation system. We offer training programs for newly hired teachers to help them understand the needs of students at different levels and equip our teachers with necessary teaching techniques and skills. We also offer continuing training programs for existing teachers so that they can improve their teaching and communication skills. We have established a dedicated teacher training academy to develop and administer our comprehensive training programs. In addition, we have established cooperation with a university in which we offer internship opportunities for their students and we may give preferential consideration to those who meet our recruitment standards upon their graduation. We believe that such cooperation can enhance our reputation which could help attract more quality teaching staff in the future for the sustainable long-term development of our business.

As a result of our well-developed training and incentive systems, our teaching team has been relatively stable compared with our industry peers, according to the F&S Report. For the years ended December 31, 2016, 2017 and 2018, the departure rate of our teachers who had been employed by us for more than two years was approximately 0.8%, 1.6% and 3.5%, respectively. We believe that high-quality and stable teaching team supports our fast growth and is critical to our future development.

Our continuous efforts and increasing investment in research and development have powered our innovation in teaching methods, service offerings and information management systems.

We believe that consistent efforts and investment in research and development are essential to the innovation of our teaching methods, service offerings and information management systems. In order to ensure the quality of our teaching, we had a dedicated team of 140 employees focusing on development, updating and improvement of our course materials and teaching methods as of December 31, 2018, compared with 58 as of December 31, 2016. As of December 31, 2018, we also had a team of four designated teachers to supervise classroom discipline and management. We have an in-house product center responsible for preparing and developing teaching materials. For the years ended December 31, 2016, 2017 and 2018, we incurred research and development expenses of RMB6.5 million, RMB15.3 million and RMB31.0 million, respectively, representing 3.8%, 4.1% and 6.3% of our revenue from continuing operations for the same periods, respectively.

The significant increases in research and development expenses over the Track Record Period demonstrate our commitment and efforts towards improving and enhancing our teaching methods, service offerings and information management systems. We believe that our investment in research and development will enable us to continue to significantly enhance our service offerings, attract more students and further expand our business.

We also emphasize the use of modern technology in providing our education services. We utilize a number of innovative tools supported by advanced information technology systems. For example, we designed and developed our mobile application Scholar App, and "Scholar Cloud Platform" (思考樂雲平台), which supports the questions and answers database, teaching method research and discussions and homework. We have also developed our in-house student registration system, office administration system and school inspection management system. We believe these information management systems greatly enhance our operational efficiency and the customer experience of our students and their parents.

We have an experienced and entrepreneurial management team and our substantial Shareholder has strong synergy with us.

We have a high-caliber and stable management team with in-depth industry expertise and extensive operational experience. Our founder and Chairman, Mr. Chen Qiyuan, has been deeply involved in K-12 after-school education services for over eight years. He was awarded the "Outstanding Person in Private Education in 2015" (2015民辦教育風雲人物) by Southern Metropolis Daily (南方都市報). In December 2018, Mr. Chen was awarded the certificate of completion of the Hong Kong Youth Community Leadership National Studies Workshop (香港青年社團領袖國情研習班) by Chinese Academy of Governance (國家行政學院). Mr. Chen is currently studying for a master of business administration at Peking University Shenzhen Graduate School. He also completed the Oxford-Visiting Study Programme organized by the Mansfield College, University of Oxford as a visiting scholar from Peking University HSBC Business School in March 2018. Our senior management team members have an average age of approximately 37 years old. They are youthful, enthusiastic, entrepreneurial and have been working together for many years. Most of them have had first-hand experience as teachers in K-12 education and therefore have deep understanding of teaching as well as teacher management.

CREG has provided us with valuable advice since becoming our investor and one of our substantial shareholders. We expect CREG would continue to support us in brand positioning, strategic development, customer service and relationship, and potential merger and acquisition opportunities. We believe CREG will continue to have strong synergy with us, particularly in capital investment, operational management and strategic planning.

OUR BUSINESS STRATEGIES

Our goal is to maintain and strengthen our established leading position in Guangdong's K-12 after-school education sector. We intend to pursue the following strategies to achieve our goal and further grow our business.

Increase our penetration of the Shenzhen market and expand our geographic coverage in the Guangdong-Hong Kong-Macau Greater Bay Area

According to the F&S Report, the after-school education service market in Shenzhen is highly fragmented, with top five branded service providers together accounting for less than 10.0% of the total market in terms of revenue for 2018. This fragmented market presents opportunities for branded service providers that offer high-quality services and have a strong track record, brand and reputation to attract and retain more students and increase as well as maintain existing market share. Recent government policies have imposed stringent requirements on after-school education service providers, including qualifications and facilities. More established players such as us are well-positioned to take over the market share of small players which are not able to meet such requirements and may be forced to exit the market as a result. According to the F&S Report, there will be sufficient market demand to support our expansion due to the increasing market size, the industry consolidation trend and the exit of small players. We believe that we have competitive advantages over our peers to capture such market growth opportunities. We are focused on the Guangdong-Hong Kong-Macau Greater Bay Area and we believe we have always been a leading player in this geographical market. We believe we have an in-depth understanding of the local educational systems and educational culture, as well as the prevailing demands from local families. Our curriculums and course materials are generally designed with a view to catering to local educational systems. We recruit students primarily through word-of-mouth referrals, trial courses, parent seminars, and to a lesser extent, advertisement through the Internet and traditional media. According to a customer survey conducted by Frost & Sullivan in July 2018, we ranked second in terms of the percentage of respondents who have heard of our brand in Shenzhen and Dongguan, respectively. According to the F&S Report, our industry-leading brand recognition also contributed to our rapid revenue growth from 2015 to 2018 in Guangdong province and Shenzhen. We achieved industry-leading brand recognition in terms of the net promoter score in Shenzhen, Dongguan and Foshan, according to a survey of customers of K-12 after-school education services in Shenzhen, Dongguan and Foshan conducted by Frost & Sullivan in July 2018. We believe that we are well-positioned to capitalize on the expected market growth and industry consolidation opportunities in the Guangdong-Hong Kong-Macau Greater Bay Area and further expand the geographic coverage of our learning center network. We currently target our expansion at cities with significant market potential and relevantly less competition. Through standardizing our existing operations, we intend to apply standardized education service across all of our education service centers and centrally manage our operations in other cities. Based on our current expansion plan, we intend to expand into certain cities in Guangdong and Fujian provinces in the next two to five years.

We plan to continue to utilize our marketing strategies, such as trial courses, to attract students and expand our student base. We from time to time select certain courses and offer trial courses to students who previously have not enrolled in those courses to have a chance to gain first-hand experience in our tutoring services. We intend to convert students in these trial courses to student enrollments in our regular classes during the school year, thereby increasing the total number of our student enrollments and our market penetration.

In particular, within the next three years, we plan to establish approximately 95 new learning centers spanning across a number of major cities in Guangdong and Fujian provinces. The following table sets forth certain key information regarding our expansion plan to establish new learning centers:

Geographic coverage	Number of existing learning centers as of December 31, 2018	Expected number of new learning centers to be established in the year ended December 31, 2019	2020	2021	Expected total number of new learning centers to be established as of December 31, 2021
Guangdong province					
Shenzhen	40	9	12	10	31
Huizhou	—	5	3	3	11
Dongguan	8	3	5	3	11
Foshan	3	3	4	2	9
Zhongshan	—	—	5	4	9
Guangzhou	—	—	2	4	6
Zhuhai	—	—	—	5	5
Jiangmen	—	—	—	2	2
Zhaoqing	—	—	—	2	2
Fujian province					
Xiamen	3	1	2	2	5
Fuzhou	—	—	1	3	4
Total	**54**	**21**	**34**	**40**	**95**

We have conducted feasibility studies on new cities, including Zhongshan, Zhuhai, Guangzhou and Huizhou, where we plan to expand in the next one to three years. Our feasibility studies generally take into account a comprehensive range of factors, including local competition, population in the target area, number of schools, numbers of students and teachers per school, housing price, and analysis of the demand of after-school education services. In particular, we firstly analyze and compare the market share of our competitors in these cities to determine our business scale. Then we select the location of our new learning center by taking into account the location or area where the competitor with the largest market share in such city places their learning centers. We analyze the number of students enrolled in the largest learning center in the local market to estimate the maximum capacity of our new learning center. We also study the distribution of schools and communities in the city to determine our future expansion plans in the city. Our feasible studies reveal that (i) Zhongshan, Zhuhai, Guangzhou and Huizhou have achieved significant economic growth in the Guangdong-Hong Kong-Macau Greater Bay Area; (ii) the number of students enrolled in K-12 education in each of these cities is over 500,000, providing us with a large student pool for the K-12 after-school education services; (iii) the K-12 after-school education service market in these cities is fragmented; and (iv) the local level of tuition rates and rent match our expectation.

In respect of Jiangmen, Zhaoqing and Fuzhou, we aim to conduct market research and feasibility studies in these cities in or around the second half of 2019. We currently plan to expand to these cities primarily because they are located in the Guangdong-Hong Kong-Macau Greater Bay Area with strong economic growth. In addition, they are located close to the cities where we have established presence, allowing us to dispatch relevant personnel to help establish a new learning center quickly. We also consider other factors, including the population, acceptance rates of the local middle schools and high schools, presence of our competitors, the rent and average tuition fee per tutoring hour in expanding to these cities. As we have expanded our learning center network to Dongguan, Foshan and Xiamen, we believe that our management's experience in business expansion together with our feasible studies conducted will help us replicate our business model to the new geographic locations.

To help facilitate our expansion to the new locations, (i) we have designated a person with rich experience in operating a learning center within our Group to be in charge of the process of opening a learning center; (ii) different departments at our headquarters will provide guidance in their respective area of expertise to the new learning center and our existing learning centers in adjacent cities will provide a variety of support, such as teaching resources and staff training support to new learning centers when we expand into a new city. For instance, when we open new learning centers in Guangzhou, our existing learning centers in Shenzhen, Dongguan, Foshan and Huizhou will share resources, including (a) having our research and development team from our headquarters in Shenzhen and nearby cities develop the key teaching materials; (b) recruiting staff for the new learning centers; (c) selecting and arranging experienced teachers and other relevant staff from our headquarters in Shenzhen and nearby cities to provide guidance on teaching activities and conduct regular training for the management and teachers in the new learning centers; (d) arranging administrative staff from our headquarters in Shenzhen and nearby cities to implement standardized interior decoration of the new learning centers; and (e) having the operation department at our headquarters hosting seminars to determine strategies on the new learning centers' student recruitment and daily operations to support the opening of new learning centers; and (iii) we will hold monthly city development analysis meeting and conduct on-site visit to new learning centers on a regular basis to solve problems that the new learning centers may encounter in the course of their operations.

To maintain sustainable growth of our business and minimize any potential competition among our existing learning centers and new learning centers, we intend to implement the following measures: (i) the distance between an existing learning center and a new learning center will be at least 1.5 kilometers in densely-populated areas and at least three kilometers in areas with lower population density; (ii) if a new learning center is located close to an existing learning center, we will differentiate our course offerings at these learning centers based on grades, such as primary, middle and high school levels to avoid direct competition; and (iii) only for an existing learning center with a high utilization rate, we will open a learning center near it, usually within 500 meters, to accommodate more students in the area and expand our operations.

We estimate establishing a new learning center of gross floor area of 1,000 sq.m. to cost approximately RMB2.5 million in total, comprising RMB1.26 million for decoration and fire safety equipment installation; RMB530,000 for purchase of assets (such as furniture, air conditioner and other education equipment); RMB600,000 for rent and deposit; and RMB110,000 for miscellaneous items. Taking into account the average tuition fee per tutoring hour we charge and the total number of tutoring hours we expect to deliver each year for our education services under the academic preparation program and early primary education program to be offered at these new learning centers, the expected average annual revenue generated from each new learning center for the calendar year in which it is opened ranges from RMB3.5 million to RMB6.5 million per year, subject to the time in the year it is opened. Typically we only open new learning centers in January and July prior to the beginning of the school winter break and summer break in order to promote the new learning center through trial courses during school breaks. The expected investment payback period for each new learning center is approximately 10 to 16 months. The expected investment payback period refers to the period of time required to recover our expected total investment, during which our total future net cash flow generated from operating activities equals to the expected total investment. The expected investment payback period is calculated primarily based on our expected revenue generated from and cost of sales related to our new learning centers. The total student enrollment for all 95 new learning centers to be established is expected to reach approximately 380,000 for the year ending December 31, 2021, with an average student enrollment of 4,000 for each new learning center for the same period. We estimate that the average tuition fee per tutoring hour we charge at the new learning centers will be in the range of RMB75.0 to RMB105.0 for our academic preparation program, and RMB75.0 to RMB80.0 for our early primary education program. In the year ending December 31, 2021, we expect to deliver a total of approximately 9.5 million tutoring hours for our academic preparation program and 1.9 million tutoring hours for our early primary education program at these 95 new learning centers to be established.

We believe there will be sufficient demand for our expansion plan due to the increasing market size of and the exit of small-sized market players from the K-12 after-school education markets in China and Guangdong province in particular, which provides us with a significant pool of potential students. Our same center growth in terms of revenue during the Track Record Period was relatively stable primarily because it generally takes a relatively short period of time for our newly established learning centers to finish ramp-up and achieve the expected utilization rate, after which point the same center growth rate levels off. According to the F&S Report, the number of students enrolled in K-12 after-school education services in Guangdong province is expected to increase from approximately 5.5 million in 2018 to 7.0 million in 2023, representing a CAGR of 4.9%. Given the large existing student base, this growth rate represents significant market potential. According to the F&S Report, the total number of students enrolled in K-12 education in Guangdong province is expected to reach 22.7 million in 2023, compared with 19.9 million in 2018. In addition, due to the relatively insufficient high quality education resources (which primarily include qualified teachers with extensive teaching experience, sufficient teaching equipment, well-established facilities and other resources that help students achieve better academic performance and well-rounded development, according to Frost & Sullivan) and high disposable income in Guangdong province, the penetration rate of K-12 after-school education services, which is calculated as the ratio of the total number of students enrolled in K-12 after-school education services to the total number of students in K-12 education, is expected to grow from 27.7% in 2018 to 30.9% in 2023 in Guangdong province, which is a higher growth rate compared with the expected increase of the penetration rate of 26.8% from 2018 to 29.8% in 2023 nationwide, according to the F&S Report. Moreover, the increasing disposable income has stimulated households' spending on education, which in turn is also expected to help drive the growth of demand for K-12 after-school education services in Guangdong province, according to Frost & Sullivan. The increase in average tuition fee rates also contribute to the growth of the K-12 after-school education service market in Guangdong province. According to the F&S Report, the average tuition fee per hour for the K-12 after-school education service market in Guangdong province increased from RMB44.6 in 2014 to RMB53.3 in 2018, representing a CAGR of 4.6%, and is expected to continue to increase to RMB62.0 in 2023, representing a CAGR of 3.1% from 2018 to 2023. This increase in average tuition fee rates contributes to the total market size by revenue and the expected market demand. Based on the above, we believe that the K-12 after-school education service market in Guangdong province has significant growth potential and there will be sufficient demand to support our business expansion in the future. To capture the demand in the K-12 after-school education service market in Guangdong province, we plan to continue to open new learning centers to expand our presence in the Guangdong-Hong Kong-Macau Greater Bay Area and diversify our course offerings to meet differentiated market demands. In addition, we plan to attract more students to our service offerings by providing trial courses from time to time. Owing to our reputation and word-of-mouth referrals, our trial courses have been widely recognized and welcomed by parents. Through our standardized education services, we believe that a significant number of participants in these trial courses will be converted to student enrollments in our regular courses, allowing us to capture additional market share quickly in the Greater Bay Area. According to the F&S Report, recent government regulations promulgated by the MOE and local government agencies have established stringent operational standards and requirements for K-12 after-school education service providers, and failure to comply with such regulations and requirements will result in the shut-down of the unqualified institution. According to the F&S Report, many K-12 after-school education service providers in China are small-scale institutions that have not complied, and lack the resources to comply, with such regulations or requirements, and they are expected to be forced to exit the market. The F&S Report estimates that approximately 10% of K-12 after-school education service providers in China and Guangdong province exited the market in 2018. In particular, approximately 2,200 K-12 after-school education service providers exited the market in Guangdong province from 2015 to 2018 and approximately 250 K-12 after-school education service providers exited the market in Shenzhen during the same period, according to the F&S Report. According to the F&S Report, the market size in terms of revenue generated by the K-12 after-school education market in Guangdong province is expected to increase at a CAGR of 10.9% from RMB53.9 billion as of December 31, 2018 to RMB90.5 billion as of December 31, 2023, primarily driven by a large and growing K-12 student base and increasing customer expenditure on K-12 after-school education in this region. According to the F&S Report, the market size in terms of revenue generated by the K-12 after-school education service market in Guangdong-Hong Kong-Macau Greater Bay Area is expected to increase at a CAGR of 12.1% from 2018 to 2023, which is higher than the growth rate of 10.1% in China and the growth rate of 10.9% in Guangdong province. In addition, according to the F&S Report, the K-12 after-school education service market in Guangdong province is still highly fragmented with a large number of small-scale service providers operating without a license or permit at personal residential places. As a result of key market players' rapid business expansion and the exit of small-sized market players caused by tightening education regulations, there is a growing consolidation trend as the market shares of the top five market players in the K-12 after-school education service market are increasing. According to the F&S Report, the numbers of primary school, middle school and high school students enrolled in K-12 after-school education services in Guangdong province are expected to grow at CAGRs of approximately 6.1%, 2.0% and 5.1%, respectively, from 2018 to 2023. With the promulgation of stringent operational standards and regulatory requirements regarding K-12 after-school education services in the PRC, a growing number of parents and students are expected to turn to large institutions with market recognition and stable operations for tutoring services, which we believe will enable large institutions like us to capture additional market share and grow at a higher rate.

We expect to incur a total budgeted capital expenditure of approximately RMB237.5 million for the establishment of the proposed 95 new learning centers by the end of 2021. In particular, our capital expenditure will primarily be used for the interior decoration of new learning centers. We expect to primarily fund our expansions using the net proceeds of the Global Offering, with the remainder to be financed by cash generated from our operations and retained earnings. The information relating to our current expansion plans is prepared based on our management's present expectation, which is subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. In the interest of our Company and our Shareholders as a whole, our management will consider making various adjustments to our expansion plans based on commercial grounds and other factors from time to time, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing if our working capital or business performance would be materially and adversely affected.

We have a track record and have accumulated significant experience in operating learning centers in Guangdong province and Fujian province. See "— Our Network" for details. As we expand rapidly in the relevant markets, we believe our brand name has achieved wide recognition among parents and students. We believe our reputation, our well-established presence and our familiarity with the local markets, together with our extensive operating experience, provide us with significant advantages over our competitors in achieving successful business growth.

In addition, the PRC government authorities have promulgated a number of laws, regulations and implementation rules governing the education industry and the after-school tutoring service market, including the Amended Law for Promoting Private Education, the MOJ Draft, Circular 3 and the Guangdong Plan, the State Council Opinions 80, as well as Circular 10. See "Business — New Education Regulations" for further details. We plan to strictly comply with these new education regulations for the operations of our proposed new learning centers. Our Directors are of the view that these new education regulations promote the healthy development of the education industry and will not result in any material adverse impact on expansion plans of an after-school education service provider that is in compliance with relevant laws, rules and regulations, such as our Group.

Continue to optimize and diversify our service offerings and develop applications and digital materials

We believe the breadth and quality of our service offerings are critical to our continued success and future growth. According to the F&S Report, many K-12 after-school education service providers in China are set to diversify their course offerings to meet students' diversified demands for after-school education services and to achieve cross-selling of their courses, which in turn increase their customer lifetime value. According to the F&S Report, the use of technologies in the K-12 after-school education service market has become an industry trend in China, which provides students and parents with convenient value-added services and seamless offline and online learning experience. We plan to optimize and diversify our service offerings by launching the following initiatives to broaden our student base and enhance our profitability.

Leveraging our success and experience in developing courses focusing on students' all-round development, we plan to expand the breadth of subjects of our education service offerings to include new curriculums and educational products in the future, such as courses on history and politics subjects as well as artificial intelligence technologies. We believe these additional courses will help generate a potential source of student supply with diverse education needs for us. We endeavor to continuously adjust our course offerings based on government education policy guidance, market demand and industry trends to capture growth opportunities. Moreover, we expect that we will further customize and digitalize our teaching process, thereby optimizing our teaching results and improving students' learning experience.

We intend to design and develop digital materials to broaden our range of services. We expect to continue to increase our investment in research and development and hire additional personnel for research and development. We also plan to continue to focus on developing our own course materials, as well as improving and updating our course materials. For example, we are in the process of developing our Teenager Artificial Intelligence STEAM Education Program (青少兒人工智能STEAM教育課程) to introduce the artificial intelligence technologies to our students. We expect to launch this program in 2019. See "— Development of Our Curriculums and Teaching Materials" for details. We also plan to develop courses such as history, politics, courses designed to cultivate good habits, moral education courses and primary school courses in connection with student concentration and mathematics-related reading comprehension. We plan to start offering history and politics courses in September 2019. Our in-house development team will be responsible for these development efforts and we expect to recruit an additional three to 20 people with relevant education experience to help with our development efforts. We intend to organize open classes and arrange experienced teachers to give talks of our proposed new courses. We also plan to offer trial courses and conduct cross-selling by recommending these new courses to students when they purchase our existing courses. In addition, we plan to promote these new courses through parent seminars, which we hold at our learning centers from time to time. We believe that introducing new courses, such as history, politics and artificial intelligence-related courses will extend and diversify our course offerings and allow us to attract new students to expand our students pool and accommodate more students' learning demands. Meanwhile, we believe that offering new courses will attract existing students to enroll in more subjects, thereby increasing the multi-subject enrollment rate and driving the growth of our business. In addition, we believe that diversified course offerings may attract a student to enroll in multiple courses and spend more time at our learning centers with our teachers, which will enhance the collaboration between our teachers and students and in turn improve our customer loyalty.

We believe that making some of our course offerings available through a digital platform will complement our existing in-class education programs and enable us to offer a better educational experience to our students and improve their learning results. We plan to utilize our digital materials to strengthen our students' understanding of the course content taught in classroom setting. In particular, we plan to enhance our competitiveness by developing digital materials and utilizing new technologies to optimize our teaching activities. In light of the flexibility of digital education platforms, we intend to offer courses in a digital format to better serve our students and support our offline course offerings. Specifically, we plan to record certain courses and class materials and make them accessible to our existing students after class to increase their after-class exposure to our service offerings. Our digital materials do not constitute a new business line and we will not charge extra fees from our students. Our digital materials are primarily designed by our teachers to assist existing students in learning certain difficult key points in their offline classes, enhancing their understanding of the course content and helping them grasp the curriculums. These services are expected to complement our offline services and will not compete with our existing courses. We plan to offer these services to our existing students through the sklwx.com website and the Scholar Wangxiao APP. In particular, our students will be able to log onto the website or Scholar Wangxiao App with their own student accounts and watch the recorded videos through personal computers or mobile devices. These digital materials will allow our students to study whenever they want at home by themselves, which will help improve their learning experience and satisfaction with our service offerings. We plan to launch our digital materials in October 2019. As advised by our PRC Legal Advisor, such activities may be deemed under applicable PRC laws and regulations to fall within the scope of "online publishing" requiring the Online Publishing Service License (網絡出版服務許可證). We currently expect that we may either apply for an Online Publishing Service License or enter into a cooperation agreement with a publishing company in possession of such license to jointly operate these platforms.

Save as disclosed above, according to current PRC laws and regulations and in light of confirmations from competent PRC government authorities, namely the Radio and Television Administration of Guangdong Province (廣東省廣播電視局), Shenzhen Communication Management Bureau (深圳市通信管理局) and Guangdong Provincial Department of Culture and Tourism (廣東省文化和旅遊廳), our PRC Legal Advisor is of the view that we will not be required to obtain other licenses, such as ICP license, for the proposed development of our digital materials as described above, because such services are expected to be, as confirmed by our Directors, provided free-of-charge and designed as a complementary component to enhance our existing offline education services with a view to assisting our students in better comprehending our course content. Our Directors confirmed that we currently do not have any plans to charge fees from our students for offering such services. As of the Latest Practicable Date, we have registered our website activities with competent authority in accordance with relevant PRC laws and regulations.

We also plan to develop online assessment system to collect and evaluate our students' performance based on big data analysis, which will in turn assist us to further upgrade our course content. In particular, we plan to begin developing digital materials in 2019. In 2020, we expect to increase our procurement of relevant software, video and recording equipment and engage third party service providers to upgrade our backend system. We plan to further renovate our recording studios and upgrade our digital materials in 2021. We expect to hire two to three product managers with relevant work experience in information technology industry to help us with the development.

In addition to digital materials and assessment system, we target to invest in the application of new technologies to further upgrade the functions of our information platforms and mobile applications for our customers. Particularly, we plan to (i) launch a new module on our Scholar App to post education-related news and articles, and with a function to sort the articles based on users' needs and preferences; (ii) develop other functions on our Scholar App, such as sending push notification and other information; and (iii) optimize the functions and keep upgrading the online assessment system to new versions, which we believe will allow our students to improve their experience in conducting self-assessments on the student-end application. We also plan to develop our information system to collect and analyze operation data in order to improve the overall operation efficiency. In addition, we target to upgrade our management systems, including Office Automation System and Customer-Relationship Management System to further optimize our management efficiency. We do not expect to hire additional staff for the development of information technology platform and our mobile applications. We expect to conduct the design work and outsource the development work to relevant service providers.

In economically-developed areas, as our teaching quality improves and our brand recognition increases, we intend to expand our service offerings, optimize the pricing of our classes and enhance our profitability without limiting our student base.

Further develop and strengthen our support services such as admission guidance

In light of the competitiveness of the middle school, high school and university admission process in China, we believe that there is room for value-adding services such as school admission guidance. As a result of our market knowledge and our extensive experience in examination preparation services, we believe we are familiar with the admission criteria and processes of major middle schools and high schools in Shenzhen, as well as those of well-known "Project 985 universities" and "Project 211 universities". We intend to strengthen our communication with students and their parents by providing formal and informal admission guidance services, which we believe will be helpful to parents and help students achieve their potential and maximize their learning results. In particular, we intend to provide students and their parents with a variety of seminars to help students choose suitable schools, such as seminars of high school admission guidance for students taking Zhongkao, seminars regarding characteristics and highlights of the local middle schools for Grade Six students, and seminars regarding analysis of overseas schools.

Continue to attract and retain talented teachers and improve their teaching skills and productivity

The quality of our after-school education services largely depends on our teachers. We intend to continue to attract and retain qualified teachers, improve the overall quality of our teaching staff and build a high-quality team. To achieve this goal, we intend to explore the opportunity of cooperating with local and overseas experts in the education industry to improve the teaching skills of our teachers in the form of sharing sessions and training.

In the meantime, we intend to organize internal teaching skills competitions for our teachers as a platform for them to present, compete and improve their skills in various aspects, including teaching style, presentation, fluency and class management.

Optimize the operations and management of our learning center network to enhance our operational efficiency

We regularly monitor and assess our demand for teaching staff, both regionally and by subject, to ensure we have adequate teaching resources across different learning centers. We intend to increase the utilization rate of our learning center facilities. In particular, (i) prior to the commencement of each term, different teaching subject groups will coordinate class schedules to ensure all courses would be delivered evenly; (ii) we intend to offer various self-study evening consulting services ending before 8:30 p.m., and many other value-added services to K-12 students who are not enrolled in our classes. We intend to convert more participants in these trial courses to student enrollments in our regular courses and increase our student retention rates; and (iii) we plan to organize quality education activities, such as academic knowledge contests and English speaking competitions at our learning centers, outside of regular class time to maximize the utilization rate of our learning center facilities and convert participants in the activities to our student enrollments. Our Scholar Cloud Platform reduces our teachers' workload and enables them to complete their work in a more efficient manner. Our student registration system, office administration system and school inspection system have enabled us to manage our learning centers and students in a digitized and intelligent manner.

OUR EDUCATIONAL PHILOSOPHY

Our fundamental educational philosophy is to "focus on academic excellence to enable our students to achieve their aspirations" (博學精教，成就學生). As a leading K-12 after-school education service provider in Guangdong province according to the F&S Report, we are committed to providing high-quality tutoring education to students through student-centered teaching approach. In addition to improving students' academic performance, we put more efforts in fostering gratitude, tenacity and social awareness in our students and helping them develop healthy personalities.

OUR EDUCATION SERVICES

Overview

Among the top five K-12 after-school education service providers in Guangdong province as measured by revenue for 2018, we are the fastest-growing based on the CAGR of revenue from 2015 to 2018, according to the F&S Report. We provide comprehensive tutoring services to students in Grade One to Grade 12, covering most of the major academic subjects in each grade level of primary school, middle school and high school. Since our inception, we believe we have earned a reputation for providing high-quality education in Shenzhen.

We primarily deliver our tutoring services to our students through small class settings, typically consisting of up to 20 students per class.

As of the Latest Practicable Date, our tutoring classes are delivered under two brands:

- *Academic Preparation Program:* Our academic preparation program is delivered under our brand of "Sheng Xue" (升學), which is designed with specific focus on helping students improve their performance in academic subjects and preparing students for middle school entrance examinations, as well as Zhongkao and Gaokao. The courses we provide cover a wide range of academic subjects at the primary school, middle school and high school levels. We also organize seminars for parents of our students.

- *Early Primary Education Program:* Our early primary education program is delivered under our "Le Xue" (樂學) brand. It offers academic courses on languages and mathematics and interest courses such as performing arts and painting to students enrolled in Grade One to Grade Three of primary school. We are dedicated to developing the brand into a one-stop shop for children in early primary school.

The following table sets forth a list of subjects covered by our tutoring services as of December 31, 2018:

	Primary School						Middle School			High School		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Mathematics	●	●	●	●	●	●	●	●	●	●	●	●
English	●	●	●	●	●	●	●	●	●	●	●	●
Chinese	●	●	●	●	●	●	●	●	●	—	—	—
Physics	—	—	—	—	—	—	●	●	●	●	●	●
Chemistry	—	—	—	—	—	—	●	●	●	●	●	●
Biology	—	—	—	—	—	—	●	●	●	●	●	●
Geography	—	—	—	—	—	—	●	●	—	●	●	●
Arts(1)	●	●	●	—	—	—	—	—	—	—	—	—

Notes:

(1) Arts refer to classes such as painting, performing arts and calligraphy we offer under "Le Xue" (樂學) brand.

(2) "●" represents the subjects that we covered as of December 31, 2018.

(3) "—" represents the subjects that we had not covered as of December 31, 2018.

The following table sets forth a breakdown of our revenue by type of education services for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Academic Preparation Program	166,737	97.6	360,135	95.8	475,677	96.5
Early Primary Education Program	4,020	2.4	15,663	4.2	17,438	3.5
Total	**170,757**	**100.0**	**375,798**	**100.0**	**493,115**	**100.0**

Academic Preparation Program

Our academic preparation courses, which are designed under the "Sheng Xue" (升學) brand, primarily focus on improving students' academic performance in school and preparing them for school entrance exams, as well as Zhongkao and Gaokao. Our academic preparation program is provided primarily to students between Grade One and Grade 12. For the years ended December 31, 2016, 2017 and 2018, student enrollments of our academic preparation courses were 94,567, 138,725 and 231,292, respectively.

Our academic preparation courses cover a wide range of subjects for students in Grade One to Grade 12. We endeavor to design these courses with reference to the needs of the usual curriculums in China, and are delivered in small-sized classes, which typically consist of no more than 20 students per class. Academic preparation classes are typically held once or twice a week, with tutoring hours ranging from 1.5 to 3 hours per class for the majority of the courses. Each class consists of homework check, lecture time, in-class assessments and learning exercise and discussion of quiz questions.

The following table sets forth the revenue, student enrollments, aggregate tutoring hours delivered, average tutoring hours delivered per student enrollment, number of students, average revenue per student and average number of enrollment per student under our academic preparation program for the years indicated based on our internal records:

Year ended December 31, 2016	Revenue	Student enrollments[4]	Aggregate tutoring hours delivered[5]	Average tutoring hours delivered per student enrollment	Number of students[6]	Average revenue per student	Average number of enrollment per student
	(RMB'000)					(RMB)	
Academic Preparation Program							
Primary school courses[1]	77,914	51,767	1,348,790	26.1	16,800	4,838	3.1
Middle school courses[2]	68,108	34,679	1,098,184	31.7	11,902	5,722	2.9
High school courses[3]	20,512	8,121	226,544	27.9	2,466	8,318	3.3
Total	166,534	94,567	2,673,518	28.3	31,168	5,343	3.0

Year ended December 31, 2017	Revenue	Student enrollments[4]	Aggregate tutoring hours delivered[5]	Average tutoring hours delivered per student enrollment	Number of students[6]	Average revenue per student	Average number of enrollment per student
	(RMB'000)					(RMB)	
Academic Preparation Program							
Primary school courses[1]	157,784	70,591	2,162,646	30.6	30,525	5,169	2.3
Middle school courses[2]	149,776	54,287	1,895,555	34.9	24,131	6,207	2.2
High school courses[3]	44,631	13,847	365,909	26.4	5,370	8,311	2.6
Total	352,191	138,725	4,424,110	31.9	60,026	5,867	2.3

Year ended December 31, 2018	Revenue	Student enrollments[4]	Aggregate tutoring hours delivered[5]	Average tutoring hours delivered per student enrollment	Number of students[6]	Average revenue per student	Average number of enrollment per student
	(RMB'000)					(RMB)	
Academic Preparation Program							
Primary school courses[1]	204,051	109,281	2,785,236	25.5	37,813	5,396	2.9
Middle school courses[2]	216,125	101,007	2,850,636	28.2	35,317	6,120	2.9
High school courses[3]	44,593	21,004	492,737	23.5	6,789	6,568	3.1
Total	464,769	231,292	6,128,609	26.5	79,919	5,816	2.9

Notes:

(1) Our primary school courses target students in Grade One to Grade Six.

(2) Our middle school courses target students in Grade Seven to Grade Nine.

(3) Our high school courses target students in Grade 10 to Grade 12.

(4) As our students may register for more than one term of courses or enroll in tutoring courses of more than one subject, our student enrollments represent the aggregate number of courses that each student has registered for the years ended December 31, 2016, 2017 and 2018.

(5) Aggregate tutoring hours represent the actual tutoring hours attended by our students during the corresponding periods.

(6) During the Track Record Period, certain students of our academic preparation program may enroll in courses of two different grades. For example, some Grade Six students may enroll in both Grade Six courses for primary school and Grade Seven courses for middle school to prepare themselves for middle school studies. In this case, we count such students in calculating the number of students of both primary school courses and middle school courses.

(7) Information in the above table only relates to our regular courses and does not take into account trial courses.

Our average tutoring hours delivered per student enrollment decreased from 2017 to 2018, primarily because we ceased to schedule classes after 8:30 p.m. to comply with the State Council Opinions 80 after its promulgation and we changed the tutoring hours per class for certain courses from 3 hours to 2.5 hours per class in 2018.

Our average revenue per student in 2018 was lower than that in 2017, primarily because we expanded our network to other cities, such as Foshan and Xiamen in 2018, and the average spending level in these cities was lower than Shenzhen.

Our academic preparation courses are organized into four terms, summer, fall, winter and spring, in line with the public school calendar. We incorporate topics from the formal school curriculum when designing our teaching materials to supplement our students' schoolworks. We offer more intense courses during the winter and summer breaks to provide more training during long holidays. Due to the popularity of our courses, our students usually sign up for more than one term of courses or enroll in tutoring classes of more than one subject.

For each grade level, we divide our tutoring services into three types of classes with different academic focus, pace and density of knowledge, namely our basic classes (基礎素養班), comprehensive classes (綜合素養班) and innovative classes (創新素養班). Each course is tailored to suit the academic and learning needs of different types of students and help students progress to the best of their ability. We generally require each student to take part in an assessment test before they enroll in our courses. Students will be assigned to a suitable level of classes based on their assessment results. From time to time, we also offer short-term high-intensity tutoring classes (短期集訓班) and specialized classes (特色班) for specific topics, such as English listening and Chinese composition to satisfy different students' needs.

The following table sets forth the average tuition fee per tutoring hour of our academic preparation program for the periods indicated based on our internal records:

	Year ended December 31,		
	2016	2017	2018
		RMB/hour	
Academic preparation program			
Primary school courses[(1)]	57.8	74.7	75.1
Middle school courses[(1)]	62.1	80.8	77.4
High school courses[(1)]	90.6	123.7	92.9
Overall average	62.4	81.4	77.6

Note:

(1) From 2016 to 2017, the average tuition fee per tutoring hour for primary school, middle school and high school courses increased mainly because the tuition discount percentage we offered to students in 2016 was higher than the discount percentage we offered in 2017. The average tuition fee per tutoring hour for middle school courses and high school courses decreased from 2017 to 2018 primarily because (i) we opened new learning centers in new geographic locations, such as Dongguan, Foshan and Xiamen, where we offered tuition discounts to students at the early development stage of such learning centers; and (ii) the tuition fees we charged in such learning centers are in line with the local level, which are generally lower than the level in Shenzhen.

Early Primary Education Program

We provide early primary education primarily to students enrolled in Grade One to Grade Three of primary school with academic courses on languages and mathematics and interest courses such as performing arts and painting. We typically provide such tutoring services under the "Le Xue" (樂學) brand with eighteen classes per term for the majority of the courses. Classes under our "Le Xue" (樂學) brand are typically delivered once a week, with tutoring hours ranging from 1.5 to 2.5 hours per class for the majority of the courses based on grade level of the courses. Our courses are primarily designed to nurture students' abilities of concentration, expression and reading habits.

The following table sets forth the revenue, student enrollments, aggregate tutoring hours delivered, average tutoring hours delivered per student enrollment, number of students, average revenue per student and average number of enrollment per student under our early primary education program for the periods indicated based on our internal records:

	Year ended December 31,																				
	2016							2017							2018						
	Revenue	Student enrollments[2]	Aggregate tutoring hours delivered[3]	Average tutoring hours delivered per student enrollment	Number of students	Average revenue per student	Average number of enrollment per student	Revenue	Student enrollments[2]	Aggregate tutoring hours delivered[3]	Average tutoring hours delivered per student enrollment	Number of students	Average revenue per student	Average number of enrollment per student	Revenue	Student enrollments[2]	Aggregate tutoring hours delivered[3]	Average tutoring hours delivered per student enrollment	Number of students	Average revenue per student	Average number of enrollment per student
	(RMB'000)					(RMB)		(RMB'000)					(RMB)		(RMB'000)					(RMB)	
Early primary education program[1]	3,999	2,479	63,215	25.5	1,093	3,659	2.3	15,044	7,108	192,069	27.0	3,284	4,581	2.2	16,611	9,911	217,928	22.0	3,839	4,327	2.6

Notes:

(1) Our early primary education program mainly targets students in Grade One to Grade Three.

(2) As our students usually register for more than one term of courses or enroll in tutoring courses of more than one subject, our student enrollment represent the aggregate number of courses that each student has registered for the years ended December 31, 2016, 2017 and 2018.

(3) Aggregate tutoring hours represent the actual tutoring hours of classes attended by our students during the corresponding periods.

(4) Information in the above table only relates to our regular courses and does not take into account trial courses.

Our average tutoring hours delivered per student enrollment decreased from 2017 to 2018, primarily because we ceased to schedule classes after 8:30 p.m. in order to comply with the State Council Opinions 80 after its promulgation.

Our average revenue per student in 2018 was lower than that in 2017, primarily because we expanded our network to other cities, such as Foshan and Xiamen in 2018, and the average pricing level for education services in these cities was lower than that in Shenzhen.

The following table sets forth the average tuition fee per tutoring hour of our early primary education program for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB/hour		
Early primary education program[(1)] . . .	63.3	81.6	80.0

Note:

(1) The increase in the average tuition fee per tutoring hour from 2016 to 2017 was because the tuition discount percentage we offered to students in 2016 was higher than the discount percentage we offered in 2017. The decrease in the average tuition fee per tutoring hour for our early primary education program in 2018 was because we increased tuition discount percentage in 2018 to attract more students.

Customer Service

We expect our teachers to be open to answering questions from students or parents at any time after class. We require our teachers to communicate with parents at least twice a term to provide feedback and suggestions based on students' learning progress. We also create WeChat groups to share various tutoring materials and relevant examination information with parents from time to time. To better assess students' tutoring outcome and our teaching quality, we encourage students to attend an assessment test, which is generally organized every one or two classes. We will provide individualized suggestions to students based on the data generated from the assessment and help them improve their weaknesses. Students enrolled in our courses are allowed to visit our learning centers in the evening to do their school homework and receive free instructions and supervision from our teachers. We also encourage our students to bring their schoolmates to come to our learning centers to do their school homework and our teachers will provide free instructions and supervision to them. Our student enrollment has benefited and will be expected to continue to benefit from providing such services to potential students.

We believe that our staff's and customers' feedback and evaluations are crucial for us to improve the quality of our services. During the ordinary course of our business, from time to time, we may receive complaints from our students or their parents. We have implemented complaint management procedures for our staff to handle customers' complaints in a timely manner and maintain our service standards. We have established an Office Automation System (the "OA system") online to receive complaints from our customers. We also receive complaints or feedback through our service hotline. Pursuant to our internal policies, all complaints and comments are lodged in our OA system and we will designate personnel from relevant departments to handle. We generally require the handling personnel to report the complaint to a relevant person-in-charge as soon as practicable and follow up with the complainant within 24 hours. Our service center will follow up on the handling process and conduct customer visit to ensure that all complaints are properly handled and resolved in a timely manner in order to uphold the quality of our services.

Our Directors have confirmed that during the Track Record Period, we did not experience any complaint from our customers that had a material adverse impact on our business or results of operations.

PRICING POLICY

We charge our students tuition fees primarily based on the type of courses that students enroll in, as well as the total number of tutoring hours. We set tuition rates for our courses based on type of course, grade, class size and teachers. We require our students to pay no more than three months of tuition fees (or the full amount of tuition fees if the course is less than three months) prior to the commencement of the first tutoring class. Our courses typically consists of nine to 18 sessions per term with tutoring hours ranging from 1.5 to 3 hours per session. The number of sessions offered for a course per term depends on the schedule of such course, where more intensive courses consist of less sessions per term. The table below sets forth our average tuition fee per course for each of our program for the periods indicated based on our internal records:

	Year Ended December 31,		
	2016	2017	2018
	(In RMB per course)(1)(6)		
Academic preparation program			
Primary school courses(2)(7)	2,491	2,868	2,838
Middle school courses(3)(7)	3,197	3,621	3,159
High school courses(4)(7)	4,527	4,005	3,723
Early primary education program(5)	2,064	2,575	3,022
Overall average(8)	2,918	3,206	3,053

Notes:

(1) Average tuition fee per course was calculated based on the number of sessions multiplied by tuition fee per session divided by the number of classes opened for a course.

(2) Our primary school courses target students in Grade One to Grade Six.

(3) Our middle school courses target students in Grade Seven to Grade Nine.

(4) Our high school courses target students in Grade 10 to Grade 12.

(5) Our early primary education programs target students in Grade One to Grade Three.

(6) Information in the above table does not take into account trial courses we offer from time to time. The above indicative average tuition fee per course excludes teaching material fees and other miscellaneous fees.

(7) The decrease in the average tuition fee per course for (i) the primary school courses in 2018; (ii) the middle school courses in 2018; and (iii) the high school courses in 2017 and 2018 was primarily because we opened more classes for relatively intensive courses during such periods, where the number of sessions decreased and the number of opened classes increased.

(8) The decrease in the amount of the overall average tuition fee per course in 2018 was primarily due to the decrease in the amount of average tuition fee per course of the academic preparation program.

The tutoring hours and tuition fees for each course are determined by our operation department and finance department. Students are able to join each course in the middle of the term at any time, which maintains maximum flexibility for students, allowing them to enroll in additional tutoring courses according to their academic performance at schools.

The tuition fees we charge for each course vary among the cities in which we operate, but there is generally no price variation among different learning centers in the same city. We determine the tuition fees of the courses offered by taking into account factors such as customers' behavior, cost of service and competitors' pricing.

We offer discounts from time to time to new and existing students. During the promotion period, students who enroll in our courses are entitled to discounts of various degree depending on the number of subjects and courses they enroll in. To maintain consistency and reputation of our brand, we normally do not provide special offers outside specified promotion period.

Refund Policy of Tuition Fees

In the event a student withdraws from our tutoring courses, we refund tuition fees to such student subject to the after-school education service refund administration guidelines promulgated by the local authorities and our internal refund policies. If a student is unable to complete the entire course and applies to withdraw and requests a refund, we may refund all remaining undelivered classes subject to the relevant refund policies. If the student initially used coupons issued by us to pay for part of the course fees, then we refund the undelivered classes after deducting the amount paid for by such coupons.

The table below sets forth the tuition fees refunded for our courses for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Refund amount	Refund rate(1)(2)	Refund amount	Refund rate(1)(2)	Refund amount	Refund rate(1)(2)
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Total	**10,979**	**6.4**	**36,666**	**9.8**	**45,113**	**9.1**

Notes:

(1) The calculation of the refund rate is based on dividing total refund amount of each period by the recognized revenue during the same period and multiplied by 100%.

(2) The refund amount and refund rate of our tuition fees increased during the Track Record Period, primarily because we elected to loosen our refund policy and granted more of students' or their parents' requests for refund to improve customers' experience and satisfaction with our services, as well as to strengthen our reputation in the industry.

DEVELOPMENT OF OUR CURRICULUMS AND TEACHING MATERIALS

As different courses within each program target students with diversified age groups, we customize our curriculums and teaching materials according to the needs. A majority of our teaching materials are developed in-house. Our in-house development team is supported by a group of consultants consisting of retired teachers. These consultants are primarily responsible for improving the teaching skills of our teachers and advising on the development of our teaching materials. Our in-house product development team conducts detailed research and development based on the requirements and needs of different cities when designing the scope and depth of teaching materials for different courses. The draft teaching materials will be reviewed by personnel in charge of the relevant subject for multiple times during the development process. Each new course is required to be launched at our internal platform first to collect comments and suggestions. Members of our in-house product development team will attend live-classes of our courses and track feedback.

Our curriculums and teaching materials are generally developed with an aim to improving our students' academic performance at schools. Since our inception, we have developed numerous regular textbooks for our courses, covering different subjects in primary school, middle school and high school levels. For example, we developed a series of Chinese teaching materials in 2019 for Grade Seven to Grade Nine students enrolled in basic classes or comprehensive classes for the spring term. We plan to include history and politics courses to further diversify our course offerings on subjects taught in formal schools. We also develop courses that we believe can broaden students' knowledge base, stimulate their learning interests and develop their practical skills. For example, we are developing our Teenager Artificial Intelligence STEAM Education Program (青少兒人工智能STEAM教育課程) to introduce the artificial intelligence technologies to our students. We plan to establish our Future Player Science Education Center (未來玩家科教中心) to offer courses and outreach activities designed for teenagers on robotics, programming, artificial intelligence technology and popular science. We ensure our courses combine knowledge and skills of programming with easy and fun programming products to make it attractive to students.

We are dedicated to developing, updating and improving our curriculums and teaching materials. As of December 31, 2018, we had an in-house product development team consisting of 140 personnel. For the years ended December 31, 2016, 2017 and 2018, we incurred research and development expenses of RMB6.5 million, RMB15.3 million and RMB31.0 million in relation to curriculum design and development of teaching materials. With the rapid growth of our business, we intend to increase our investments in research and development of curriculums and teaching materials to strengthen our teaching quality and improve the tutoring outcome of our services.

In addition, we have developed a "Five-T Teaching Management System" (教學5T管控系統), consisting of (i) teacher level management system (教師等級管理系統), which divides our teachers into 30 levels and their promotion to each level is based on a number of factors, such as expertise, teaching satisfaction and performance; (ii) teaching quality assessment system (教學質量考核系統), through which teachers are required to take professional tests on a monthly basis to assess their teaching abilities; (iii) education services supervision system (教學服務監督系統), under which we conduct teaching satisfaction surveys from time to time to supervise our teaching quality; (iv) education outcome evaluation system (教學效果評估系統), which will formulate evaluation report based on assessment results and provide students with customized analysis and suggestions; and (v) PTS teaching method, under which we divide a tutoring class into various key elements and help students achieve effective learning with the progress of each stage at the class.

To supplement school education, we are also dedicated to integrating character education of students into our after-school education services and providing our students with well-rounded education to help them become individuals with core ethical values.

In this regard, we have implemented a "Dual-Core DPS Educational Philosophy" (雙核DPS培養系統), which is designed with a focus on developing students' key competencies, including building their inquiring and problem-solving spirit, improving their learning habits, enhancing their learning capabilities and helping them develop a good character. We integrate such concepts into the process of the design of our teaching materials and the research and development of teaching methods. We assess the ability of students before they enroll in our courses in order to better accommodate the specific learning needs of each student. We place emphasis on the positive role model effect of our teachers to inspire students and encourage them to be more self-disciplined. We achieve these goals through our efforts on research and development of teaching materials and teaching methods as well as our effective management of our teaching resources, classes and teachers.

In March 2019, we entered into a cooperation agreement with a third party K-12 after-school education services provider based in Taiwan (the "**Cooperation Partner**") primarily to jointly develop course content and teaching methods of mathematics courses for primary school students in Grade One to Grade Four. We believe that, through such cooperation, we will be able to leverage the experience and expertise of the Cooperation Partner to deliver more innovative and engaging mathematics courses to our students. Pursuant to the cooperation agreement, we will be entitled to 96% of the revenue derived from such cooperation and the Cooperation Partner will be entitled to the remaining 4%.

OUR TEACHERS

We believe our teachers are critical to maintaining the quality of our services and to promoting our brand and reputation. We believe we have a team of dedicated and highly qualified teachers with strong passion for education, who are crucial to our success. We are committed to maintaining a consistent and high teaching quality. This commitment is reflected in our teacher hiring process which we believe is highly selective, our emphasis on continued teacher training and rigorous evaluation, as well as performance-based compensation which we believe is competitive and career advancement opportunities. For the years ended December 31, 2016, 2017 and 2018, we had 372, 890 and 1,060 full-time teachers, respectively. As of the Latest Practicable Date, we had 1,118 full-time teachers. For the years ended December 31, 2016, 2017 and 2018, the departure rate of our teachers who had been employed by us for more than two years was approximately 0.8%, 1.6% and 3.5%, respectively. According to the F&S Report, our teaching team has been relatively stable as compared with our industry peers.

The table below sets forth the number of full-time teachers under our employment by geographic region as of the Latest Practicable Date:

Cities	Number of full-time teachers	Percentage of total
Guangdong province		
— Shenzhen	785	70.2%
— Dongguan	125	11.2%
— Foshan	103	9.2%
— Huizhou	53	4.7%
Fujian province		
— Xiamen	52	4.7%
Total	**1,118**	**100.0%**

The following table sets forth the number of our full-time teachers by type of our education services as of the Latest Practicable Date:

	Number of full-time teachers	Percentage of total
Academic Preparation Program	1,064	95.2%
Early Primary Education Program	54	4.8%
Total	**1,118**	**100.0%**

The following table sets forth the number of our full-time teachers by subject as of the Latest Practicable Date:

	Number of full-time teachers	Percentage of total
Mathematics	414	37.0%
English	299	26.7%
Chinese	261	23.3%
Physics and Chemistry(1)	133	12.0%
Biology and Geography(2)	1	0.1%
Arts(3)	10	0.9%
Total	**1,118**	**100.0%**

Notes:

(1) Include teachers who are able to teach both physics and chemistry.

(2) Include teachers who are able to teach both biology and geography.

(3) Include teachers who are specialized in painting, performing arts and calligraphy and give those classes to students of early primary education program.

Teacher Recruitment

We recruit teachers through a hiring process based on multiple selection criteria. We primarily seek to recruit teachers with a bachelor's degree or above through campus recruiting. We also seek to identify and approach suitable candidates through advertisements, head-hunting agencies and recruitment websites. Prior to hiring a teacher, we usually consider his or her educational background, teaching experience, professional skills, career plan, personal image, family background and hobbies. We administer in-person interviews and written tests for qualified candidates and generally require them to give a demonstration lecture as part of the assessment process. We believe that we are able to screen candidates through our stringent recruitment process.

As of the Latest Practicable Date, we had 1,118 full-time teachers, approximately 88.5% of our full-time teachers had obtained bachelor's degrees or above. The following table sets forth a breakdown of our full-time teachers in terms of education qualification as of the Latest Practicable Date:

Education Qualification	Number of full-time teachers	Percentage of total
Master's degree or above	38	3.4%
Bachelor's degree	951	85.1%
Junior college diploma or below	129	11.5%
Total	**1,118**	**100.0%**

The following table sets forth the teacher-to-student ratio for each of our program for the periods indicated:

	For the year ended December 31,		
	2016(3)	2017(3)	2018(3)
Academic preparation program			
Number of students(1)	24,440	48,878	59,651
Number of teachers	331	833	991
Teacher-to-student ratio(2)	1:74	1:59	1:60
Early primary education program			
Number of students(1)	1,093	3,284	3,839
Number of teachers	41	57	69
Teacher-to-student ratio(2)	1:27	1:58	1:56
Total			
Number of students(1)	25,533	52,162	63,490
Number of teachers	372	890	1,060
Teacher-to-student ratio(2)	1:69	1:59	1:60

Notes:

(1) "Number of students" refers to the number of students we recruited for the years ended December 31, 2016, 2017 and 2018, which only relates to our regular courses and does not take into account trial courses. A student is counted as one student regardless of his or her single or multiple enrollment(s) in our courses.

(2) We calculate our teacher-to-student ratio by dividing the number of teachers by the number of students for the years ended December 31, 2016, 2017 and 2018.

(3) According to Frost & Sullivan, the average teacher-to-student ratio of the K-12 after-school education service market in China was approximately 1 to 61, 1 to 60 and 1 to 58.5 in 2016, 2017 and 2018, respectively.

According to the Amended Law for Promoting Private Education and other related administrative rules, teaching staff who teach Chinese, mathematics, English, physics, chemistry and other subjects in compulsory education stage should have the relevant teacher qualifications.

According to the Regulations on Teacher Qualification (《教師資格條例》) promulgated by the State Council of PRC on December 12, 1995, to obtain teacher qualifications, the teaching staff are required to participate and pass the Elementary and Secondary School Teacher Qualification Examination (中小學教師資格考試). According to the F&S Report, the percentage of teachers with relevant teacher qualifications accredited by the education authorities in the PRC represented less than 30.0% of the total number of teachers in 2018. As of the Latest Practicable Date, approximately 47.6%, or 532 of our full-time teaching staff had obtained teacher qualifications issued by competent government authorities, which was higher than the industry average. As of the Latest Practicable Date, approximately 42.6%, or 477 of our full-time teaching staff were in the process of preparing for the teacher qualification examinations. See "Risk Factors — Risks Relating to Our Business and Our Industry — New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects". We have required the remaining 9.7%, or 109 of our full-time teaching staff, and our teaching assistants who have not started preparing for the teacher qualification examinations to participate in such examinations.

According to Frost & Sullivan, many K-12 after-school education service providers have required their teachers to attend the Elementary and Secondary School Teacher Qualification Examination to meet the government authorities' requirements on teachers' qualification and it is expected that, in the K-12 after-school education service market, the percentage of teachers with the relevant teacher qualifications will significantly increase from 2019 to 2022. In light of the market development trend, we have adopted two approaches with a view to ensuring our adequate resources of qualified teachers, by (i) requiring our existing teaching staff to take teacher qualification examinations, and (ii) focusing on hiring candidates with teacher qualifications nationwide. The teacher qualification examination is generally held twice a year, and consists of a written test and an interview. According to the F&S Report, the average passing rate in China for the written tests of the teacher qualification examinations in 2018 was approximately 30%, while the average final passing rate in China for the teacher qualification examinations in 2018 was approximately 20%. We will reimburse our teaching staff for their teacher qualification examination fees if they successfully obtain the teacher qualifications. If such teaching staff fail to obtain the teacher qualifications, we will cease their engagement in the tutoring of Chinese, mathematics, English, physics, chemistry and other subjects in compulsory education stage, and we will recruit new qualified teaching staff as replacement. In addition, going forward, we will only recruit teaching staff with teacher qualifications for Chinese, mathematics, English, physics, chemistry and other subjects in compulsory education stage. We do not foresee difficulties in relation to our recruitment plan as we believe there is a sufficient supply of teachers for the K-12 after-school education market in China. According to the F&S Report, the number of teachers with teacher qualifications in the K-12 after-school education industry in China reached 300,000 in 2018. Based on the above, our Directors are of the view that there is a sufficient supply of qualified teachers to satisfy our operation demand with the expansion of our learning center network. Therefore, we believe that the teaching qualification requirement would not impose any material adverse impact on our business and results of operations.

In order to fully comply with relevant regulatory requirements of teacher qualifications, we have proactively required our existing teachers without teacher qualifications to attend the Elementary and Secondary School Teacher Qualification Examination. According to our internal record, 482 full-time teachers, representing approximately 74.6% of the total number of our existing full-time teachers without teacher qualifications, had participated in the written test of the teacher qualification examination in March 2019, among which 183 had successfully passed the written test. We will continue to encourage and organize our teaching staff who have not obtained teacher qualifications to participate in the teacher qualification examinations. In addition, we are committed to hiring more candidates with teacher qualifications to ensure that we have sufficient qualified teaching resources for our operations. According to the F&S Report, as of December 31, 2018, it is estimated that not more than 30% of the K-12 after school teachers in Guangdong province had teacher qualifications. While the competition for K-12 after school teachers in Guangdong province remains keen, our Directors are of the view that our leading position in Guangdong's K-12 after-school education sector gives us an advantage in competing for such resources, particularly when the K-12 after-school education service market is, according to the F&S Report, highly fragmented. Our Directors believe that our established brand name and leading position enable us to develop more direct access and channels to effectively recruit K-12 after school teachers with teacher qualifications than our competitors through the following: (i) seeking to recruit our existing teachers' schoolmates or alumni who are also graduates from normal schools (師範院校) with teacher qualifications to join our Group through a referral scheme and providing them with competitive salary package; (ii) sending experienced recruiting personnel to areas such as Beijing and Wuhan where there are more graduates from normal schools (師範院校) to recruit teachers with teacher qualifications; (iii) recruiting teachers with teacher qualifications from private schools and other after-school education institutions by offering a competitive remuneration package; and (iv) cooperating with normal schools (師範院校) to recruit final-year students with teacher qualifications through internship programs and offering subsidies to graduates with teacher qualifications who join our Group. Based on the above, our Directors believe that we are able to recruit sufficient teachers with teacher qualifications for our business operations and the low passing rate of the written test of teacher qualification examinations will not materially affect our business operations. With respect to those who are not able to obtain teacher qualifications by the end of 2019, we will internally change their positions from teachers to researching staff, training instructors or teaching assistants and adjust their roles accordingly (in particular, these staff will not undertake teaching activities that would require teacher qualification under the relevant PRC laws and regulations), allowing them to continue working for our Group. In particular, researching staff is primarily responsible for conducting researches and assisting in developing teaching materials, including textbooks, in-class assessments and other exercise books. Training instructors provide teaching guidance and feedback to teachers and conduct staff training in connection with teaching skills, profession expertise and after-class teaching services. Teaching assistants primarily assist teachers in administrative work, handling parents' inquiries and communication with students and parents. With respect to teachers without teacher qualifications from those learning centers not covered by the confirmations we obtained from local education authorities, we have ceased their engagement in teaching activities and internally changed their positions to comply with the relevant PRC laws and regulations. Our PRC Legal Advisor is of the view that the aforementioned roles of researching staff, training instructors and teaching assistants do not fall within teaching activities that require teacher qualifications under applicable PRC laws and regulations, thus, on the basis that the re-positioned staff will in substance perform their respective job functions in line with the aforesaid roles, such re-positioning of staff would not be regarded as circumvention of the relevant PRC laws and regulations. We will ensure that the roles of our staff commensurate with their respective positions in compliance with the relevant PRC law and regulations.

Teacher Training and Performance Review

Each of our newly hired full-time teachers is required to undergo one month of on-the-job training focusing on education content, communication skills, classroom control capabilities and teaching skills and techniques during the probation period. We terminate new teachers who do not meet our performance standards during their probation period. We also require our teachers to take part in periodic training programs to keep enhancing their expertise and teaching abilities. We have established a teacher training academy which offers a range of training programs and training materials covering different personal qualities and teaching skills for teachers' training. Our training instructors are selected from our existing teachers, who are required to have over three years of working experience in after-school education services according to our internal selection criteria.

In addition, we have maintained a stringent teaching quality control system and conduct regular tests and evaluations for teachers' performance and teaching results. The results of such evaluations will be considered when assessing our teachers' retention, compensation and promotion. The evaluation process is comprehensive and covers factors such as revenue contribution, student retention rate, student withdrawal rate, students' and parents' satisfaction rate and teaching contest results.

We offer our teachers performance-based compensation packages which we believe are competitive and provide them with prospects of career advancement within our Company. We have established a 25-level performance rating system for our teachers. Teachers we recruited generally begin as "one-star teachers" and eventually progress to "four-star teachers" after meeting a set of criteria. Each stage contains a number of levels and teachers will be promoted to a higher level based on various factors, such as loyalty, student retention rate and number of students taught. Our teachers may be promoted to become principals, directors of operations in our learning centers, invited to participate in our teaching materials development and even considered for senior management positions.

OUR NETWORK

As of December 31, 2018, our extensive network consisted of 54 learning centers in China, including 40 in Shenzhen, eight in Dongguan, three in Foshan, Guangdong province and three in Xiamen, Fujian province. Our learning centers host teaching facilities and are physical locations where classes are being conducted.

The following table sets forth the geographic coverage of our learning centers as of December 31, 2018:

	As of December 31, 2018
Guangdong province	
— Shenzhen	40
— Dongguan	8
— Foshan	3
Fujian province	
— Xiamen	3
Total	**54**

The following table sets forth the revenue generated from our learning centers by regions for the period indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Guangdong province						
Shenzhen	169,565	99.3	353,241	94.0	423,201	85.8
Dongguan	—	—	12,648	3.4	45,179	9.2
Foshan	—	—	—	—	12,103	2.5
Subtotal	169,565	99.3	365,889	97.4	480,483	97.5
Fujian province						
Xiamen	1,192	0.7	9,909	2.6	12,632	2.5
Total	**170,757**	**100.0**	**375,798**	**100.0**	**493,115**	**100.0**

During the Track Record Period, we recorded significant increase in revenue primarily due to an increase in our student enrollment and tutoring hours, which we believe were attributable to our quality course content delivery and education methods, which in turn increased our existing students' loyalty to our programs and attracted prospective students. We greatly value the learning experience of our students and consistently evaluate our teachers' performance in class to ensure the teaching quality. We had also implemented several marketing strategies such as offering trial class to attract prospective students to experience our curriculums in order to establish our reputation in a broader student base.

The following table sets forth the number of our learning centers in China as of the dates indicated:

	Year ended December 31,		
	2016	2017	2018
At the beginning of the year	16	28	49
Addition during the year(1)	12	21	8
Closure during the year	—	—	3
At the end of the year	28	49	54

Note:

(1) We opened 12 new learning centers in 2016, including eight in Shenzhen, four in Xiamen. We opened 21 new learning centers in 2017, including 15 in Shenzhen and six in Dongguan. We opened eight new learning centers in 2018, including two centers in Shenzhen, three centers in Dongguan, and three centers in Foshan.

We closed three centers in 2018, including (i) one in Xiamen primarily due to the disputes over the ownership of the leased property; (ii) one in Dongguan primarily due to the integration of operations of two learning centers in Dongguan that were located close to each other. We operated another learning center in Dongguan which had a larger area and lower rent per sq.m. than the learning center we closed. In addition, we subleased approximately 414 sq.m. of the property occupied by the smaller learning center to a third party, but the sublessee terminated the lease in advance in 2018 while we had no immediate use for the vacant space. In order to maximize our profitability and streamline our operations at these two learning centers, we closed such learning center and integrated its operations to the other learning center; and (iii) one in Shenzhen primarily because the lease contract expired and such center did not obtain the requisite branch registration certificate, see "— Legal Proceedings and Compliance — Non-compliance Incidents" in this section for further information. The learning center in Shenzhen was in operation during the Track Record Period prior to its closing. We conducted an interview with Shenzhen Education Bureau in 2019, which confirmed that we will not be subject to any penalty for failing to obtain the requisite branch registration certificate in the past. As advised by our PRC Legal Advisor, Shenzhen Education Bureau is a competent authority to give confirmations in this regard. Based on the confirmations and the fact that such learning center has been closed down, our Directors do not believe this non-compliance incident will have any material adverse impact on our financial condition and business operations.

Our Directors confirmed that the closing of one learning center in Dongguan in 2018 was due to specific circumstances as discussed above and would not affect our expansion plans in Dongguan. According to our feasibility studies conducted in 2016 on our expansion to Dongguan, Dongguan had more than 1,500 kindergartens, primary schools, middle schools and high schools with approximately 1.4 million enrolled students in 2016. Given such a large student pool and its strategic location in the Greater Bay Area with strong economic growth, we believe Dongguan has significant market potential for after-school tutoring services.

The following table sets forth the number of newly opened learning centers by regions in Guangdong province for the year ended December 31, 2018:

	For the year ended December 31, 2018
Shenzhen	2
Dongguan	3
Foshan	3
Total	8

From January 1, 2019 to the Latest Practicable Date, we opened nine new learning centers, including one in Dongguan, six in Shenzhen and two in Huizhou. We closed one learning center in Shenzhen in February 2019 as we terminated the lease and integrated its operations to the other nearby learning center in Shenzhen. We also closed one learning center in Xiamen in May 2019 as the leased property occupied by such learning center was unauthorized construction and we were unable to complete the fire safety inspections of this property. As of the Latest Practicable Date, we operated 61 learning centers in Guangdong and Fujian provinces.

The following table sets forth the same center growth rate of our existing learning centers for the periods indicated based on our internal records:

Total number of education centers existing and in operation for two consecutive full years	Revenue in the preceding year	Revenue in the current year	Growth rate
	(RMB in million)		*(%)*
Year ended December 31, 2018 compared to year ended December 31, 2017			
27	254.6	287.1	12.8
Year ended December 31, 2017 compared to year ended December 31, 2016			
16	130.6	186.5	42.8

Our same center growth rate of our existing learning centers from 2016 to 2017 is higher than that from 2017 to 2018, primarily because the geographic area and population base each learning center serves is generally limited, after a learning center finishes ramping-up stage and achieves its expected utilization rate, its same center growth rate generally tends to level off. Our existing learning centers generally experience a higher growth during the initial stage of operations and the growth becomes stable when the operations of such learning centers are mature.

The following table sets forth the same center growth rate of our newly established learning centers for the periods indicated based on our internal records:

	For the year ended December 31,			
	2016	2017	2017	2018
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Same center revenue[1] (RMB'000) . .				
16 existing learning centers in 2015 . .	130,555	186,454	186,454	203,315
12 learning centers opened in 2016 . . .	21,626	68,120	68,120	83,748
21 learning centers opened in 2017 . . .	N/A	84,986	84,986	177,758
8 learning centers opened in 2018	N/A	N/A	N/A	26,888
Same center revenue growth[1] (%) . .				
16 existing learning centers in 2015 . .	42.8%		9.0%	
12 learning centers opened in 2016 . . .	N/A		22.9%[2]	
21 learning centers opened in 2017 . . .	N/A		N/A	
8 learning centers opened in 2018	N/A		N/A	

Notes:

(1) Include 16 existing learning centers in 2015, 12 learning centers opened in 2016, 21 learning centers opened in 2017 and eight learning centers opened in 2018, and exclude learning centers we closed during the Track Record Period, including one in Xiamen that we closed due to the disputes over the ownership of the leased property, one in Dongguan due to integration of operations of two learning centers, and one in Shenzhen as it did not obtain the required branch registration certificate.

(2) The same center growth rate of our newly established learning centers in 2016 was relatively low during the Track Record Period primarily because:

(i) Our newly established learning centers typically have a relatively high same center revenue growth at the initial stage of operations in the first two years as such learning centers grew significantly from relatively low utilization rate in the first year to relatively high utilization rate in the second year. As a result, the significant increase in revenue in relatively short period of the first two years make the same center growth rate in such period significantly higher than that of the subsequent periods; and

(ii) Our revenue growth became stable with the operations of such new learning centers getting mature.

Compared to 2016 and 2017, we slowed down our expansion in 2018 primarily because (i) we commenced preparation for our proposed Global Offering and Listing in 2018 which required prioritization of management attention and resources; and (ii) the PRC government authorities promulgated a number of laws, rules and regulations governing the education industry and after-school education services market in 2018 and thus we decided to slow down our expansion to ensure that the operations of our new learning centers were in compliance with these new education regulations.

Based on our internal records, we estimate that the average utilization rate of our new learning centers will be approximately 60.0%. The table below sets forth the utilization rates of our new learning centers opened for the years indicated, according to our internal records:

	For the year ended December 31,								
	2016			2017			2018		
	Planned enrollment	Number of student enrollment	Utilization rate (%)	Planned enrollment	Number of student enrollment	Utilization rate (%)	Planned enrollment	Number of student enrollment	Utilization rate (%)
Learning centers opened in or before 2015	133,250	92,621	69.5	162,450	117,600	72.4	137,013	101,672	74.2
12 new learning centers opened in 2016	94,197	63,247	67.1	123,639	78,278	63.3	94,834	72,866	76.8
21 new learning centers opened in 2017	—	—	—	322,229	194,243	60.3	245,910	175,499	71.4
Eight learning centers opened in 2018	—	—	—	—	—	—	94,328	59,726	63.3
Overall	227,447	155,868	68.5	608,318	390,121	64.1	572,085	409,763	71.6

The following table sets forth the capacity and utilization rate of our learning centers for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
Planned enrollment			
Regular courses			
— Shenzhen	145,814	215,191	279,044
— Dongguan	—	17,901	56,238
— Foshan	—	—	10,929
— Xiamen(2)	7,736	15,118	11,661
Trial courses			
— Shenzhen(1)	73,087	283,351	110,596
— Dongguan	—	54,408	61,934
— Foshan	—	—	30,847
— Xiamen(2)	810	22,349	10,836
Total	**227,447**	**608,318**	**572,085**

Notes:

(1) Our planned enrollment for trial courses in Shenzhen decreased in 2018 as compared to 2017, primarily because we generally offered more trial courses at our new learning centers and we opened more new learning centers in 2017 compared with 2018.

(2) Our planned enrollment for both regular courses and trial courses in Xiamen decreased in 2018 as compared to 2017, mainly because we closed a learning center in 2018 due to the disputes over the ownership of the leased property.

	Year ended December 31,		
	2016	**2017**	**2018**
Student enrollment			
Regular courses(1)			
— Shenzhen	92,924	129,469	197,496
— Dongguan	—	8,150	30,823
— Foshan	—	—	5,175
— Xiamen	4,122	8,214	7,709
Trial courses(1)			
— Shenzhen	58,823	192,585	93,671
— Dongguan	—	37,101	48,112
— Foshan	—	—	19,330
— Xiamen	—	14,602	7,447
Total	**155,869**	**390,121**	**409,763**
Capacity utilization rate(2)			
— Shenzhen(3)	69.3%	64.6%	74.7%
— Dongguan(4)	—	62.6%	66.8%
— Foshan	—	—	58.7%
— Xiamen(5)	48.2%	60.9%	67.4%
Overall capacity utilization rate	**68.5%**	**64.1%**	**71.6%**

Notes:

(1) Student enrollment refers to total student enrollment in both regular courses and trial courses. In particular, (i) regular courses refer to the primary school courses, middle school courses, high school courses under our academic preparation program as well as our early primary education program. We charge our students the regular tuition fees for such regular courses; and (ii) we offer trial courses for free or at lower prices than that of our regular courses from time to time as a way to attract prospective students. A trial course generally lasts two hours per session. We offered free trial courses in 2016 and generally charged RMB50 and RMB99 for course material fee per student enrollment in 2017 and 2018, respectively. See " — Marketing and Student Recruitment — Trial Courses" for details.

(2) The capacity utilization rate is calculated as the total student enrollment in both regular courses and trial courses at each of our learning centers divided by its planned enrollment, which in turn is derived by the aggregate planned number of student enrollments for the available courses calculated based on (a) the number of students each classroom can accommodate at the same time based on the number of available seats, and (b) the number of classes scheduled for the classroom.

(3) The utilization rate of the learning centers in Shenzhen in 2017 was lower than the utilization rate in 2016 and 2018 primarily because the newly opened learning centers in Shenzhen in 2017 had a relatively low utilization rate in their early stage of development. We recorded an increase in capacity utilization rate in 2018 as the operations of the learning centers opened in 2017 began to mature in 2018.

(4) The utilization rate of the learning centers in Dongguan increased as the operations of the learning centers newly opened in 2017 began to mature in 2018.

(5) The learning centers in Xiamen recorded a relatively low utilization rate in 2016 primarily because such learning centers were in their early stage of development. The utilization rate increased in 2017 and 2018 as (i) we did not open new learning centers, which are expected to record relatively low utilization rate in early development stage, in Xiamen in 2017 and 2018; and (ii) the existing centers in Xiamen were increasingly utilized as their operations began to mature in 2017 and 2018.

Our overall capacity utilization rate decreased in 2017 compared with 2016 primarily because we opened 21 new learning centers in 2017 and student enrollments are typically lower in the first year after a learning center commences operations. Our overall capacity utilization rate increased in 2018 compared with 2017 because we opened only eight new learning centers during the year and student enrollments for the new learning centers we opened in 2017 increased.

We plan to maintain and renovate our existing learning centers and purchase teaching equipment to facilitate our teaching activities. We believe continuous maintenance, renovation and equipment installation at the existing learning centers will help us ensure the safety of our students and staff, optimize our daily operation and further improve our students' learning experience.

The following table sets forth the estimated costs of maintenance for the periods indicated:

	For the year ending December 31,		
	2019	**2020**	**2021**
	RMB	**RMB**	**RMB**
Maintenance cost (per learning center)(1)	10,000	11,000	11,000
Renovation cost (per square meter per learning center)(2)	950	1,000	1,060
Equipment purchase fee (per square meter per learning center)(2)	300	300	300

Notes:

(1) Maintenance cost primarily refers to expenses we expect to incur for regular or daily repair and maintenance work for the facilities on our learning centers.

(2) Renovation cost and equipment purchase fee primarily relate to the fees we expect to spend on redecorating the classrooms or upgrading teaching equipment.

Natural wear and tear, typhoon and rainstorm damage, as well as certain damage caused by people may lead to obsolescence of the facilities at our learning centers. As a result, we selectively renovate certain facilities, such as ceilings, walls, floors, fire controls and air conditioning systems at our learning centers based on the extent of their damage. It is also necessary for us to maintain these facilities, particularly fire controls, in good working conditions for the safety of our students and staff and compliance with the safety-related laws and regulations in the PRC from time to time. In addition, to continuously improve students' learning experience and our competitiveness in the market, we believe it is necessary for us to continue to upgrade certain teaching equipment, including computers, multimedia equipment, projectors, surveillance cameras, desks and chairs at our learning centers from time to time. The table below sets forth the maintenance costs, renovation costs and equipment purchase expenditures we incurred during the Track Record Period:

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Maintenance cost	1,608	2,042	3,308
Renovation cost	201	1,171	1,400
Equipment purchase fee	698	2,471	2,878
Total	2,507	5,684	7,586

For the years ended December 31, 2016, 2017 and 2018, we conducted repair and maintenance work for certain wear and tear facilities of approximately 28, 47 and 54 learning centers, respectively, as well as offices of our headquarters. For the same years, we renovated certain facilities of approximately nine, 26 and 34 learning centers, respectively. For the years ended December 31, 2016, 2017 and 2018, we purchased and replaced certain teaching equipment for approximately 13, 24 and 47 learning centers, respectively.

In order to continue to maintain the high quality of our course offerings, we plan to maintain and renovate our existing learning centers in batches in restricted periods of time during non-business hours to avoid disruptions to the daily operations. In particular, for the years ending December 31, 2019, 2020 and 2021, we expect to (i) conduct maintenance work for approximately 75, 109 and 149 learning centers, respectively; and (ii) renovate and upgrade equipment for approximately 19, 16 and seven learning centers, respectively.

We have adopted a systematic approach for expansion of our learning centers or geographic coverage. The decision on whether to open a new learning center is typically coordinated at the corporate level and involves a well-established process requiring participation by different departments within our organizational structure. In selecting suitable premises for new learning centers, we would evaluate various factors, including their legality, safety standards, and accessibility.

We intend to continue to expand our network and strengthen our presence in Guangdong province, where we believe has exhibited strong growth potential in K-12 after-school tutoring services market. Within the next two to five years, we plan to establish new learning centers in a number of major cities in the Guangdong–Hong Kong–Macau Greater Bay Area, including Huizhou, Zhongshan, Jiangmen and Zhuhai. According to the F&S Report, the revenue of the K-12 after-school education service market in the Guangdong–Hong Kong–Macau Greater Bay Area grew from RMB34.3 billion in 2014 to RMB56.3 billion in 2018, representing a CAGR of 13.2%, and is expected to further increase to RMB99.6 billion in 2023, representing a CAGR of 12.1% from 2018 to 2023. According to the F&S Report, the revenue growth in the K-12 after-school education service market in the Guangdong–Hong Kong–Macau Greater Bay Area is expected to be faster than that in China as a whole, due to the faster growth in the number of students enrolled in K-12 education and the higher growth rate of expenditure on K-12 after-school education services in the Guangdong–Hong Kong–Macau Greater Bay Area.

With an increasing demand for K-12 after-school education services and our extensive experience in the K-12 after-school education service industry, including our ability to attract and retain sufficient qualified teaching staff, we believe we are able to achieve our expansion plans. However, we may encounter challenges and uncertainties in implementing our expansion plans. See "Risk Factors — Risks Relating to Our Business and Our Industry — Failure to effectively and efficiently manage the expansion of our service network may materially and adversely affect our ability to capitalize on new business opportunities."

OUR PLANNED OVERSEAS BUSINESS

With a view to building our presence overseas, creating synergies with our business in China and complying with the Qualification Requirement, details of which are set out in "Structured Contracts — Background of the Structured Contracts" in this prospectus, we plan to establish a learning center in Hong Kong to provide after-school education programs.

In order to implement our plan, we have established a subsidiary in Hong Kong, namely Youshine International, which will primarily operate and manage our proposed learning center in Hong Kong and serve as the main control hub of our overseas business in the future.

Leveraging our rich experience in providing after-school education and Chinese language teaching methods, high-quality teaching materials and in-depth understanding of Chinese language education system in Shenzhen and the Guangdong-Hong Kong-Macau Greater Bay Area, we currently plan to establish and operate a learning center in Hong Kong which offers after-school education services with a focus on Chinese language-related tutoring courses to primary and secondary school students in Hong Kong. For details of the regulatory environment in Hong Kong for the operation of private learning centers, see "Regulation Overview — Regulations on Private Learning Centers in Hong Kong" in this prospectus. On December 24, 2018, we entered into a lease confirmation with an Independent Third Party for a premises to be used as the proposed learning center and office. The monthly rent for the lease is approximately HK$33,900 (excluding management fees and government rent and rates) and the lease has a term of three years commencing from January 1, 2019.

In addition, on December 18, 2018, we engaged a consultant who is an Independent Third Party with experience in applying for an education license in Hong Kong for learning centers and after-school tutoring service providers. Services provided by such consultant include venue inspections, planning and construction of premises. After consulting the consultant, we expect to submit a formal application to the Education Bureau in Hong Kong regarding the establishment of the proposed learning center as soon as practicable. Barring unforeseen circumstances, the approval process upon submission of the application is expected to take approximately five to six months, as advised by the consultant. To establish our learning center in Hong Kong: (i) we have conducted site visits on the leased properties with the assistance of the consultant, and are in the process of conducting classroom design and planning to meet relevant requirements in obtaining the education license, including fire safety and other building-related requirements. We are also in the process of designing and formulating curriculums in preparation of submitting the application for the education license; (ii) we plan to utilize the extensive resources of our own teaching materials at our headquarters in Shenzhen and convert such resources to courses that are applicable to our learning center in Hong Kong; (iii) we expect to search for suitable teaching staff to support our operations of the learning center in Hong Kong; and (iv) after consultation with the consultant, we plan to engage suitable renovation companies and qualified contractors to furnish our teaching premises for the operation of our proposed learning center in Hong Kong.

For the establishment of our learning center in Hong Kong, we expect to invest approximately HK$14 million in the first five years since our preparation for the establishment, among which, approximately HK$700,000 has been expended as of the Latest Practicable Date.

OUR STUDENTS

Our students mainly consist of students in Grade One to Grade 12 of the K-12 system. During the Track Record Period, our growth in student enrollments was primarily driven by the increase in new students and the existing loyal students. For the years ended December 31, 2016, 2017 and 2018, our student retention rate was 63.3%, 66.2% and 68.3%, respectively.

MARKETING AND STUDENT RECRUITMENT

We recruit our students through word-of-mouth referrals and other marketing activities to enhance our brand recognition among prospective students and their parents, generate interest in our service offerings and further stimulate referrals. Our marketing activities primarily include trial courses that we offer from time to time, parent seminars which we believe could enhance our reputation and visibility. For the years ended December 31, 2016, 2017 and 2018, our selling expenses from continuing operations were RMB14.2 million, RMB17.6 million and RMB12.1 million, respectively, accounting for 8.3%, 4.7% and 2.4% of our total revenue from continuing operations, respectively.

Referrals

We believe we have earned customer loyalty through our high-quality curriculums, various teaching activities and students' improvement in academic performance and have gained market recognition and brand awareness by reaching and influencing more students through the establishment of a core customer committee. We believe that word-of-mouth referrals by our students and their parents who share their learning experiences with others is a significant contributor to our success in student recruitment. We believe recruitment through word-of-mouth referrals can provide strong network effect to enlarge our student base.

Trial Courses

In order to attract prospective students, we offer trial courses from time to time as a way of providing potential students with an opportunity to experience our course offerings. We provide trial courses to students at each grade level and primarily target school-age students and students who are preparing for school entrance examinations. A session of trial course generally lasts two hours. We offered free trial course in 2016 and generally charged RMB50 and RMB99 per student enrollment for course material fee of the trial course in 2017 and 2018, respectively. We generally offer six to ten sessions of trial course in winter term and ten to 12 sessions of trial course in summer term. During the Track Record Period, we applied our standardized course content in our trial course, which we believe attracted a large amount of students who are interested in our education services. During the summer and winter terms of 2016, 2017 and 2018, we recorded approximately 44,416, 217,058 and 132,212 student enrollments in our trial courses, respectively, and approximately 23.4%, 17.6% and 23.9% of these enrollments were subsequently converted into student enrollments in the same subject for our regular courses in the following terms, respectively.

Others

Moreover, we engage in a range of other marketing activities to promote our tutoring services. For instance, we organize seminars for parents at our learning centers from time to time to share class information and conduct policy analysis of Zhongkao and Gaokao to enhance our reputation among parents of our students. We also provide online consultation services through WeChat groups, which we believe have contributed to enhancing our brand recognition, increasing student loyalty, and further stimulating referrals. We also advertise our services on the Internet, in newspapers, exhibitions and through outdoor advertising outlets such as buses.

During the Track Record Period, we were subject to certain administrative penalties due to non-compliance with advertising-related regulations in the PRC. Our Directors confirmed that such administrative penalties did not have any material adverse impact on our financial condition and business operations. We endeavor to comply with all applicable advertising-related laws and regulations going forward. For details, see "— Legal Proceedings and Compliance — Non-compliance Incidents".

OUR INFORMATION TECHNOLOGY PLATFORM

As of the Latest Practicable Date, we had a technology department with a total number of 22 personnel who have been assigned to be in charge of the research and development of information technology platform and our application, maintenance of the hardware and software of our system and monitoring the security and daily operation of our network.

Scholar App

We have developed a mobile application, our Scholar App, which is in operation and offers with a number of functionalities to facilitate the provision of our tutoring services. As of December 31, 2018, we have implemented a number of modules, such as online registration system (在線報名系統), and class enrollment and curriculum selection system (報班選課系統) on our application. We also launched a teacher-end application for our teaching staff to record class attendance, and assess students' performance. It also supports requests for refund and transfer of courses. We plan to further upgrade our Scholar App in the future so that students and parents can access our online customer consulting service system (在線客服系統) and check records regarding class attendance, assignments and test results through Scholar App and for us to send regular information updates, including activities, lectures and education tips recommended to them.

Home-School Interconnection System

Home-school interconnection system (家校互聯系統) is an online platform open to teachers, students, and their parents, for regular interactions and tracking learning progress and feedback, which we believe is conducive to the communication between teachers and students' parents.

Online Test System

Our online test system enables our students to take mock tests and review their performance.

Online Customer Consulting Service System

We are preparing to launch our online customer consulting service system, through which students and their parents will be able to consult our customer service personnel for our tutoring services in various aspects. It is expected that, through the system, our customer service personnel will be able to receive and handle customers' enquiries and process requests for course transfers. This online customer consulting service system is under development and is expected to be put into use in 2019.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents. For the years ended December 31, 2016, 2017 and 2018, we did not have any single customer who accounted for more than 5% of our revenue for each of the period.

Our suppliers primarily comprise advertising service provider, construction service provider rental service provider and teaching materials provider. For the years ended December 31, 2016, 2017 and 2018, purchases from our five largest suppliers amounted to RMB14.4 million, RMB30.6 million and RMB23.7 million, respectively, accounting for 25.9%, 19.6% and 19.6% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB3.4 million, RMB10.6 million and RMB5.1 million, accounting for 6.1%, 6.8% and 4.2%, respectively, of our total purchases for the relevant periods. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

Our business relies substantially on the creation, use and protection of our proprietary curriculum and course materials. Other forms of intellectual property we own include our trademarks, copyrights, patents and domain names. As of the Latest Practicable Date, we had (i) 21 registered patents, 49 registered trademarks and 37 copyrights in the PRC; and (ii) four registered trademarks in Hong Kong. In addition, we have made 31 trademark applications in the PRC, one trademark application in the U.S. and one trademark application in Hong Kong. As of the Latest Practicable Date, we owned 68 domain names.

We believe the protection of our trademarks, copyrights, domain names and other proprietary rights is critical to our business. We protect our intellectual property rights by relying on intellectual property laws, as well as confidentiality agreements that we entered into with our employees. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

While we actively take steps to protect our proprietary rights, these steps may not be adequate to prevent the infringement or misappropriation of the intellectual property created by or licensed to us. Also, we cannot be certain that the course materials that we license, and our redesign of these materials, do not or will not infringe on the valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, as discussed in "Risk Factors — Risks Relating to Our Business and Our Industry — We may encounter disputes from time to time relating to our use of intellectual property of third parties."

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we have received various awards and recognitions in the PRC. The table below sets out some of the awards and recognitions we have received:

Year of Award	Award/Accreditation	Awarding Organization
2019	Most Trustworthy Education Brand for Parents (最具家長信賴的教育品牌)	Southern Metropolis Daily (南方都市報)
2018	Reliable Education Service Brand (2018年度公信力教育品牌)	Tencent.com
2018	Renowned Education Institution (2018年度品牌實力教育機構)	Sina.com

Year of Award	Award/Accreditation	Awarding Organization
2018	2018 Advanced Unit in China on Management Reform and Innovation (2018中國管理改革創新先進單位)	The 11th China Conference on Management Science (第十一屆中國管理科學大會)
2017	PRC Education Group with Brand Strength (中國品牌實力教育集團)	Sina.com
2017	Top Eight After-School Tutoring Service Institution with Good Reputation in Shenzhen (深圳教育好口碑課外輔導行業八強)	Shenzhen Evening News (深圳晚報社), Shenzhen Education Training Association (深圳市教育培訓行業協會), Shenzhen Consumers Association (深圳市消費者委員會)
2017	2017 Well-known Education Brand (2017年度知名教育品牌)	Tencent.com
2017	Most Trustworthy Education Brand (最具誠信教育品牌)	Southern Metropolis Daily (南方都市報)
2017	Popular After-School Tutoring Service Brand in Dongguan (東莞市受歡迎教育培訓品牌)	Dongguan Daily Media Group (東莞報業傳媒集團)
2017	Vice President Unit of Elementary Mathematical Society of Guangdong province (廣東省初等數學學會副會長團體單位)	Elementary Mathematical Society of Guangdong province (廣東省初等數學學會)
2016	Group Member of Elementary Mathematical Society of Fujian province (福建省初等數學學會團體會員)	Elementary Mathematical Society of Fujian province (福建省初等數學學會)

DISCONTINUED OPERATIONS

During the Track Record Period, we offered one-on-one and small-class tutoring services through Shenzhen Unique (through the “You Xue” (優學) brand) and English language-focused tutoring through Shenzhen America, which were established in June 2017 and August 2017, respectively.

In March 2018, we decided to discontinue our operations conducted through Shenzhen Unique and Shenzhen America to focus on our academic preparation program and early primary education program, which we believe are our core strengths and have significant market potential. In March and April 2018, we disposed of Shenzhen America and Shenzhen Unique, respectively, by transferring all of the equity interests our Group held in them to Independent Third Party individuals. Shenzhen America recorded net current liabilities before the disposal. To facilitate the successful completion of the disposal, we waived RMB3.9 million receivables from Shenzhen America as to offset the accumulated losses incurred by Shenzhen America. Based on the percentage share of equity interest in Shenzhen America before the disposal, the effective impact of such waiver on the Group and minority shareholder was RMB2.5 million and RMB1.4 million, respectively. The losses we recorded on disposal of Shenzhen America were approximately RMB3.5 million considering the waiver of receivables. After off-setting the gain on disposal of Shenzhen Unique amounting to approximately RMB5.9 million, the overall gain on disposal of subsidiaries for the year ended December 31, 2018 was RMB2.4 million.

For further details on the above disposals, please see "History and Corporate Structure — Corporate Reorganization — 4. Disposal of our former subsidiaries" in this prospectus.

COMPETITION

The after-school tutoring service sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this industry to persist and intensify. We primarily face competition in each type of service we offer and each geographic market in which we operate. We also face regional competition from various local players in K-12 after-school tutoring service market.

We believe the principal competitive factors in our business include the following:

- brand recognition;
- student achievements and education outcome;
- price-to-value factor;
- ability to attract and retain qualified teachers;
- type and quality of tutoring services offered; and
- ability to effectively tailor service offerings to accommodate specific needs of students.

We believe that we compete favorably with our competitors on the basis of our comprehensive course offerings, well-known "Scholar Education" (思考樂教育) brand, ability to deliver high-quality tutoring services across our network, experienced and highly qualified teaching staff group and our strong curriculum and teaching material development capabilities. However, some of our competitors may have more resources than we do, and may be able to devote greater resources than we can to expand their business and market shares. See "Risk Factors — Risks Relating to Our

Business and Our Industry — We face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margin, loss of market share, departure of qualified employees and increased capital expenditures if we are unable to compete effectively."

EMPLOYEES

As of December 31, 2016, 2017 and 2018, we had approximately 985, 1,869 and 2,243 employees, respectively. The following table sets forth the numbers of our employees, categorized by function, as of the Latest Practicable Date:

Function	Number of Full-Time Employees	% of Total
Executive directors and senior management	8	0.3%
Full-time teachers	1,118	43.1%
Customer service	235	9.1%
Sales and marketing	37	1.4%
Curriculum and course material development	148	5.7%
Teaching assistants[1]	649	25.0%
General and administrative	375	14.5%
Technology	22	0.8%
Total	**2,592**	**100.0%**

Note:

(1) Teaching assistants represent employees who were employed by us less than one year. As of the Latest Practicable Date, they did not obtain teacher qualifications, nor did they participate in the teacher qualification examinations.

We remunerate our employees with basic salaries as well as performance-based bonuses. We determine employee compensation based on each employee's performance and qualifications. We plan to hire additional teachers and other employees as we expand. Our employee recruiting channels include word-of-mouth referrals, on-campus recruiting and online recruiting.

Our full-time employees in China participate in a variety of social security plans that are administered by local governments, including but not limited to, pension benefits, medical care, unemployment insurance and housing provident funds. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' salaries.

During the Track Record Period, we had not made contributions to the social insurance plans and housing provident funds for all of our employees based on their actual salary level. If we were to make contributions based on the actual salary level of our employees during the Track Record Period, we estimate that we would have to make an additional contribution of approximately

RMB1.7 million, RMB3.7 million and RMB5.5 million for the years ended December 31, 2016, 2017 and 2018. With a view to ensuring our continuing compliance with employee security plans, we have enhanced our internal control measures, including assigning designated personnel at each of our learning centers to monitor the status of the contributions to social insurance plans and housing provident funds on a monthly basis in order to ensure that we have made these contributions for our employees and on a timely basis in accordance with the applicable laws and regulations. See "— Legal Proceedings and Compliance — Non-compliance Incidents" for details.

We believe we have maintained a good working relationship with our employees, and our Directors confirm that we have not experienced any strikes or material labor disputes or any difficulty in hiring sufficient staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain insurance policies covering public liability and loss and damage of properties to safeguard against risks and unexpected events. We do not maintain business interruption insurance. Our Directors believe that our insurance coverage is generally consistent with the industry practice in the PRC and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage which could expose us to significant costs and business disruption" in this prospectus for details.

LICENSES AND PERMITS

As a PRC-based company that provides after-school tutoring services, we are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licenses, permits and approvals in order to conduct our business. Our PRC Legal Advisor has advised that, except as disclosed below in this prospectus and the learning centers in preparation for the launch, we had obtained all material requisite licenses, permits and approvals for our operations and such licenses, permits and approvals were valid and remain in effect as of the Latest Practicable Date.

The table below sets forth details of our material licenses and permits as of the Latest Practicable Date:

License/Permit/Approval/Certificate	Holder	Issuing Authority	Issuing Date	Expiry Date
Operating license of publication (出版物經營許可證)	Shenzhen Scholar	Administration of Press, Publication, Radio, Film and Television of Futian District, Shenzhen (深圳市福田區新聞出版廣電局)	April 23, 2018	N/A
Private school operation permit	17 PRC Operating Entities	The local competent education bureaus of Shenzhen, Dongguan, Foshan and Xiamen	January 10, 2017–March 25, 2019	January 6, 2022–June 28, 2023
Registration certificate of branch places of cultural education training institutions in Shenzhen (深圳市文化教育培訓機構教學點登記證)	46 learning centers in Shenzhen	The municipal education bureau of Shenzhen	February 13, 2014–March 12, 2019	N/A

Private School Operation Permit

During the Track Record Period, Xiamen Scholar and Xiamen Lvcuo Learning Center* (廈門市呂厝校區) commenced operations without obtaining private school operation permits. This was primarily because, as advised by our PRC Legal Advisor, the relevant regulations or implementation measures regarding for-profit after-school education institutions' applications for private school operation permits in Xiamen City, Fujian province had not been issued by the local competent authorities by January 2019 and therefore the local competent authorities had not commenced to accept such applications until January 2019. See "— Legal Proceedings and Compliance — Non-compliance Incidents" for details. The following table sets forth the revenue and net loss generated from Xiamen Scholar and Xiamen Lvcuo Learning Center for the periods indicated based on our internal records:

	For the year ended December 31,					
	2016		2017		2018	
	Revenue	Net Loss	Revenue	Net Loss	Revenue	Net Loss
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Xiamen Scholar	704	(2,373)	2,956	(1,450)	3,552	(431)
Xiamen Lvcuo Learning Center	—	(77)	1,923	(1,763)	4,484	(80)

As advised by our PRC Legal Advisor, according to the relevant PRC laws and regulations, lack of private school operation permits may result in suspension of business operations, refund of tuition fees, and a fine of one to five times of the illegal income. As of the Latest Practicable Date, our Directors confirmed that no administrative action, fines or penalty had been imposed by the relevant regulatory authorities with respect to our lack of private school operation permits for such learning center or entity. See "— Legal Proceedings and Compliance — Non-compliance Incidents" for details.

Legal Registration

During the Track Record Period, our Foshun Chancheng Center, Foshan Chancheng Qifan Learning Center* (佛山市禪城區啟凡教育培訓中心) and Xiamen Lvcuo Learning Center* (廈門呂厝校區) commenced operations without filing legal registrations with the relevant government authorities. These incidents were primarily due to our administrative oversight and the relevant guidelines and implementation measures regarding for-profit after-school education institutions' registration in Xiamen City, Fujian province had not been issued by the local competent authorities until January 2019 and therefore the local competent authorities had not commenced to accept such applications until January 2019. For details, see "— Legal Proceedings and Compliance — Non-compliance Incidents".

During the Track Record Period, Shenzhen Luoling Learning Center* (深圳螺嶺校區) commenced operations without having obtained the registration certificate of branch places of cultural education training institutions in Shenzhen (深圳市文化教育培訓機構教學點登記證). We closed Shenzhen Luoling Learning Center in 2018. See "— Legal Proceedings and Compliance — Non-compliance Incidents" in this section for details.

The following table sets forth the revenue and net profit/(loss) generated from Foshan Chancheng Center, Foshan Chancheng Qifan Learning Center and Shenzhen Luoling Learning Center for the periods indicated based on our internal records:

	For the year ended December 31,					
	2016		2017		2018	
	Revenue	Net Profit	Revenue	Net Profit	Revenue	Net Profit/ (Loss)
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Foshan Chancheng Center(1)	—	—	—	—	6,301	(2,168)
Chancheng Qifan Learning Center	—	—	—	—	2,888	(1,056)
Shenzhen Luoling Learning Center(2)	8,965	1,724	10,631	3,063	12,542	3,688

Notes:

(1) Foshan Chancheng Center and Foshan Chancheng Qifan Learning Center completed the required legal registrations with relevant government authorities in January and April 2019, respectively.

(2) We closed Shenzhen Luoling Learning Center in December 2018.

As advised by our PRC Legal Advisor, our learning centers commenced operations without completing the required registration procedures may subject us to suspension of business, refund of tuition fees and a fine of one to five times of the illegal income. For details, see "— Legal Proceedings and Compliance — Non-compliance Incidents".

We completed the required legal registration procedures for our Foshan Chancheng Center and Foshan Chancheng Qifan Learning Center in January and April 2019, respectively. As of the Latest Practicable Date, we were in the process of applying for the private school operation permit for the Xiamen Lvcuo Learning Center, and we will apply for the business license for it upon obtaining the private school operation permit.

As of the Latest Practicable Date, our Directors confirmed no administrative action, fine or penalty had been imposed by the relevant regulatory authorities for our failure to file legal registrations for such learning centers. Our Directors undertake that our Group will fully comply with all applicable requirements for filing registrations and applying for requisite licenses and certificates for our affected learning centers as soon as practicable. Our Directors are of the view that such non-compliance will not have a material adverse effect on our business operations or financial condition as a whole.

Annual Inspections

During the Track Record Period, Scholar Center did not pass the annual inspection in 2017, which was primarily caused by (i) our unauthorized establishment of branch learning centers, that Scholar Center had not obtained the Registration Certificate of Branch Places of Cultural Education Training Institutions in Shenzhen (深圳市文化教育培訓機構教學點登記證) for certain of its branch learning centers when undergoing the annual inspection in 2017; and (ii) exaggerated advertisements. See "— Legal Proceedings and Compliance — Non-compliance Incidents" for details.

For risks in association with our failure to obtain the requisite permits or certificates for our business operations, see "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to obtain or maintain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our tutoring services in China" in this prospectus.

PROPERTIES

As of the Latest Practicable Date, we occupied 38 units with an aggregate gross floor area of approximately 2,429.04 sq.m.. Our Directors confirmed that all of these properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. We have obtained building ownership certificates of all the 38 units as of the Latest Practicable Date. Among these 38 units, six units are used as our offices, and the remaining units are newly purchased properties, which are under interior decoration and have not been put into use as of the Latest Practicable Date. We intend to use such 32 units as premises of a new learning center. The total market value of our property interests in these 38 units that we have obtained building ownership certificates were RMB103.3 million as of May 31, 2019, according to the property valuation report prepared by

Jones Lang LaSalle Corporate Appraisal and Advisory Limited. As of the Latest Practicable Date, we also leased 95 properties from third parties with a total gross floor area of approximately 113,868.44 sq.m..

Owned Properties

Buildings

As of the Latest Practicable Date, we owned building ownership certificates for 38 units with an aggregate gross floor area of approximately 2,429.04 sq.m., among which, (i) six units with a total gross floor area of approximately 1,334.3 sq.m. were located in tower A of Excellence Meilin Center Square, Shenzhen, and have been designed for office use; and (ii) 32 units with a total gross floor area of approximately 1,094.74 sq.m. were located in block two, Hongrongyuan Xi Garden, East Bao'an Avenue, Shajing Street, Bao'an District, Shenzhen and have been designed for commercial use. According to our PRC Legal Advisor, Shenzhen Scholar has legally owned the building ownership rights of these units.

Leased Properties

As of the Latest Practicable Date, we operated our business through 95 leased properties in the PRC. Our 95 leased properties had a total gross floor area of approximately 113,868.44 sq.m., and were primarily used as the premises of our learning centers and offices.

Our lease agreements in respect of the abovementioned 95 properties primarily have a term ranging from one year to 12 and half years. Subject to business circumstances, we plan to renew our leases or negotiate new terms when the existing leases expire. Our Directors confirmed that all lessors are Independent Third Parties. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period. We plan to obtain additional facilities for learning centers to carry out our future expansion generally through leases rather than purchases.

Title Defects

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, the contractual use of nine of our leased properties was inconsistent with the planned use on building ownership certificates. Our PRC Legal Advisor advised us that, properties which are changed the nature of use in violation of relevant PRC laws and regulations may not be rented. If such properties were rented, the competent government authorities may order to make corrections within a time limit and may impose a fine on the lessor. There is a risk that we may be required to correct such inconsistency and may not be able continue to rent such units. Our Directors confirmed that, as of the Latest Practicable Date we did not receive any orders from the relevant government authorities requiring us to correct such inconsistency.

Non-registration

As of the Latest Practicable Date, the lease agreements of our 77 leased properties had not been registered and filed with relevant land and real estate management departments in China. The aggregate leased area of the affected properties is 94,908.89 sq.m., representing 83.4% of the total gross floor area of our leased properties. As of the Latest Practicable Date, our Directors confirmed that we had not received any such request from the relevant government authorities. Our PRC Legal Advisor is of the view that the risks of relocation and potential fines imposed by the relevant government authorities as a result of our failure to register or file the lease agreements will not materially and adversely affect our business operations in the PRC. See "— Legal Proceedings and Compliance — Non-compliance Incidents" for details.

Fire Safety Filings

As of the Latest Practicable Date, 79 of our leased properties with an aggregate gross floor area of 93,833.97 sq.m. had been put into use as offices or learning centers, among which (i) 78 of these leased properties with a total gross floor area of 93,129.89 sq.m. had obtained fire design approvals and completed fire safety filling procedures as required by the PRC laws and regulations; and (ii) the remaining one property with a gross floor area of 704.08 sq.m. had obtained fire design approvals but did not complete the required fire safety inspections. We closed the learning center that occupied such property in May 2019. See "— Legal Proceedings and Compliance — Non-compliance Incidents" for details.

As of the Latest Practicable Date, we had 16 leased properties, which have not put into operations. Among these 16 leased properties, (i) four had commenced interior decoration and obtained fire design approvals as of the Latest practicable Date, and (ii) the remaining 12 leased properties had not commenced interior decoration as of the Latest practicable Date. We intend to operate our learning centers at these properties.

HEALTH AND OCCUPATIONAL SAFETY

We are dedicated to protecting the health and safety of our teachers and students at our learning centers. We conduct safety inspection and maintenance for our learning centers on a regular basis and conduct safety education to enhance the safety consciousness of our students. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any serious accident, medical situation or safety issue involving our students or staff.

As a K-12 after-school education service provider, we believe we are not subject to any significant environmental laws and regulations in China. Thus, our Directors confirm that we did not incur any significant environmental compliance costs during the Track Record Period and we expect our future annual costs in relation to environmental compliance to be nil or immaterial.

Our Directors confirm that we had not been subject to any fines or other penalties due to non-compliance with applicable health, safety or environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

NEW EDUCATION REGULATIONS OVERVIEW

Overview

Under the regime of the Law on the Promotion of Private Education of the PRC, which came into effect on June 29, 2013 (the "Former Law for Promoting Private Education"), private education institutions operated by non-enterprise units were required to obtain the school operation permit, while private education institutions operated by limited liability companies were not explicitly required to obtain school operation permit.

To promote the development of the private education industry, the Standing Committee of the National People's Congress promulgated the Amended Law for Promoting Private Education on November 7, 2016, effective on September 1, 2017 and followed by various administrative rules issued by the PRC central government, including Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) and the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) (together, the "Administrative Regulations"). The Amended Law for Promoting Private Education and the Administrative Regulations have amended the Former Law for Promoting Private Education in many respects.

Under the Amended Law for Promoting Private Education and Administrative Regulations, private schools are classified by whether they are established and operated for profit-making purposes. In particular, for the first time, the for-profit education institutions are explicitly required to be established in form of limited liability company and are required to obtain the school operation permit. Private schools, except for those engaged in compulsory education, may choose to establish non-profit or for-profit private schools at their own discretion. The existing private schools registered as non-enterprise units can apply to transform into a limited liability company by completing the required procedures.

Further, on August 10, 2018, the MOJ issued the MOJ Draft and an explanatory note soliciting public comments on the MOJ Draft till September 10, 2018, which intended to revise the existing implementation rules. As of the Latest Practicable Date, the date on which the MOJ Draft can be finalized and published remains uncertain.

The main changes compared to the current Implementation Rules in effect that may be related to our Group are as follows:

(i) Article 5 of the MOJ Draft provides foreign invested enterprises incorporated within the territory of the PRC and social organizations in the PRC whose ultimate controlling owners are foreign nationals shall not invest or participate in investing or have ultimate and actual control over any private school engaged in compulsory education. Our Directors consider that since our Group does not operate or plan to invest in compulsory education schools, this revision will not have any substantial impact on our Group.

(ii) Article 12 of the MOJ Draft provides that any social organization that invests in or actually controls a number of private schools and implements collectivization in operating private schools shall have (a) the legal capacity, and (b) the funds, personnel, qualification and ability suitable for the education activities it carries out, and shall undertake the responsibilities of management and supervision over the private schools sponsored by it. The social organizations implementing collectivization in operating private schools are prohibited from controlling any non-profit private schools through mergers and acquisitions, franchising or controlling contracts. Clause 1(6) of the explanatory note to the MOJ Draft clarifies that, in view of the fact that some private schools are concurrently sponsored by, or operated by, the same sponsor, Article 12 of the MOJ Draft recognizes such operations of the existing group schools. Our Directors are of the view that since our Group does not plan to expand its business to establish or acquire any non-profit private schools, the MOJ Draft will not have any substantial adverse impact on our Group if it is enacted.

(iii) Article 16 provides that any institution that uses Internet technology to engage in online training education activities and/or operate an Internet technology platform that provides services for such institution shall obtain the relevant Internet business license and make a filing with the education department of the relevant provincial government for record purposes. Those provide academic education (學歷教育) services through Internet technology would need to obtain the school operation permits. As we will not provide academic education (學歷教育) services through Internet technology, our Directors believe that we are not required to obtain the school operation permit for our digital course materials offerings under Article 16. We will duly make the filings of our digital course materials offerings associated with our tutoring services in accordance with the then effective implementing rules.

(iv) Article 45 provides that connected transactions by private education institutions shall be transparent, just and fair, and shall not jeopardize the interests of the state, the private education institutions, and the teachers and students. The private education institutions shall establish information disclosure mechanism for such connected transactions. Article 45 further provides that for agreements between non-profit private education institutions and their connected persons, which involve material interests or are long-term and recurring, the relevant government authorities shall review and audit such agreements regarding their necessity, legitimacy, and compliance. Our Structured Contracts may be regarded as connected transactions between the WFOE and our PRC Operating Entities engaged in provision of K-12 after-school education services. Our Directors undertake to establish disclosure mechanisms and make appropriate arrangement to ensure that our Structured Contracts, if deemed as connected transactions, are transparent, just, and fair, and do not jeopardize the interests of the state, the private education institutions, and our teachers and students if and when Article 45 is enacted. Our Directors further undertake to comply with the review and audit requirements if our Group enters into any agreement with non-profit private education institutions and their connected persons if and when Article 45 is enacted.

(v) the MOJ Draft further provides that (1) the chairman of the board of directors or management committee or similar committee of a private school must be a PRC national; (2) there must be representative(s) of the employees and communist party in the board of directors or the management committee or similar committee and the board of supervisors of a private school; (3) any import of foreign education materials must be legitimate and subject to pre-filing with provincial educational authority; (4) private training school must not carry out any competition or assessment which may link to the school entrance targeting students in kindergarten, primary school, and middle school or teenagers. We have not fully complied with the requirement of having employees representatives and communist party on the board of Directors or management committee or similar committee, and the board of supervisors of our learning centers. Our Directors consider that, after the Implementation Rules for the Law for Promoting Private Education become effective, we will take necessary measures to ensure compliance with the requirements where necessary. If the Implementation Rules for the Law for Promoting Private Education become effective, we plan to (1) continue to ensure that the chairman of the board of directors or members of management committee or similar committee of our learning centers consist of PRC nationals; (2) make sure that there will be representatives of the employees and communist party in the board of directors or the management committee or similar committee and the board of supervisor of our learning centers; (3) make sure that any import of foreign education materials will be legitimate and subject to pre-filing with provincial educational authority on the condition that we will adopt foreign education materials in our future business operations; and (4) continue to make sure that our learning centers will not carry out any competition or assessment targeting students in kindergarten, primary school, and middle school or teenager which may be linked to school admission.

Based on the aforementioned discussion and after consultation with our PRC Legal Advisor, our Directors do not foresee any material adverse impact on our Group, taken as a whole, if the MOJ Draft is enacted.

In addition, a number of implementation rules regulating the development of the after-school education market have been promulgated following the issuance of the Amended Law for Promoting Private Education. On February 13, 2018, the General Offices of the MOE, SAIC, the MCA and the MOHRSS jointly issued the Circular 3, and soon after, the Guangdong Plan was issued jointly by Education Department of Guangdong Province (廣東省教育廳), Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳), the Civil Affairs Department of Guangdong Province (廣東省民政廳), the Public Security Department of Guangdong (廣東省公安廳) and Administration for Industry and Commerce of Guangdong Province (廣東省工商行政管理局) to provide detailed implementation rules of Circular 3 in Guangdong. Further, on August 22, 2018, the General Office of the State Council (國務院辦公廳) released the State Council Opinions 80, which provide various guidance on regulating the after-school education market for primary and secondary school students. Furthermore, on November 20, 2018, the General Office of the MOE (中華人民共和國教育部辦公廳), the General Office of the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局辦

公廳) and the General Office of the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部辦公廳) jointly issued the Circular 10, which provides specific requirements for the local people's governments at all levels in the implementation of the State Council Opinions 80.

The Amended Law for Promoting Private Education

Overview

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Amended Law for Promoting Private Education, which became effective on September 1, 2017. The Amended Law for Promoting Private Education amended, in many respects, the original Law on the Promotion of Private Education of the PRC (the "Former Law for Promoting Private Education"), which became effective on September 1, 2003. Under the Former Law for Promoting Private Education, the administration of for-profit private tutoring institutions that were registered with the local administrative departments for industry and commerce shall be separately promulgated by the State Council. The State Council had never promulgated such administrative measures and prior to the effectiveness of the Amended Law for Promoting Private Education, as advised by our PRC Legal Advisor, the administration of such for-profit private education institutions was subject to the general procedures and regulations promulgated by the local administrative departments for industry and commerce.

Prior to July 30, 2017, we operated our learning centers either in the form of private non-enterprise unit or limited liability company under the regime of the Former Law for Promoting Private Education. All of our learning centers in the form of non-enterprise unit possess private school operation permits. However, as advised by our PRC Legal Advisor, since private school operation permits were not explicitly required for companies with limited liabilities under the Former Law on the Promotion of Private Education, one of our learning centers in the form of limited liability company in Xiamen (Xiamen Scholar) only possesses business license issued by the competent administrations for industry and commerce.

In addition, pursuant to the Amended Law for Promoting Private Education and other related administrative rules, in order to obtain and maintain the school operation permit, private education institutions must submit the qualification certificates of their school principals, teachers and financial personnel. The teaching staff of the institutions shall have relevant teacher qualifications or professional skill qualifications. For the teaching staff who teach Chinese, mathematics, English, physics, chemistry and other subjects in compulsory education stage, such teaching staff shall have the relevant teacher qualifications. However, it is silent on the definition of "teacher qualifications".

The specific rules and standards for the qualification of teaching staff in municipality cities of Guangdong have not been promulgated. In addition, the municipality cities in Guangdong may set forth more specific and stricter requirements for teacher qualifications according to the Guangdong Measures and the Guangdong Standards. Moreover, uncertainties also exist as the specific rules and standards for the qualification of teaching staff may be further promulgated from time to time by national or local competent authorities. On August 31, 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification

Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》), which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80. Among other things, it provides that the teaching staff who are required to obtain relevant teacher qualifications shall participate in the teacher qualification examination in the second half of 2018, and if such teaching staff fail to pass the teacher qualification examination, they shall not engage in the abovementioned training activities.

Impact on Our Business

As advised by our PRC Legal Advisor, all of our full-time teachers are required to obtain teacher qualifications pursuant to the relevant PRC laws and regulations. As of the Latest Practicable Date, approximately 47.6%, or 532 of our full-time teaching staff (including 522 based in Guangdong province) who teach Chinese, mathematics, English, physics, chemistry and other subjects had teacher qualifications issued by competent government authorities. Based on the consultations with Shenzhen Education Bureau, Foshan Education Bureau and three county-level education bureaus in Dongguan, all of which, as advised by our PRC Legal Advisor, are competent authorities for such purpose, we have been advised, among others, that as there are only two opportunities a year to participate in teacher qualification examinations, a transitional period will be granted before teacher qualifications are officially obtained by teachers, and no administrative penalties will be imposed on the after-school education institution, nor will it affect the operation of such after-school education institution. Pursuant to the consultations we made in February and April 2019, with Shenzhen Education Bureau and Foshan Education Bureau, respectively, they confirmed that the duration of the transitional period for the teacher qualification requirement is until the end of 2019. As advised by our PRC Legal Advisor, Shenzhen Education Bureau and Foshan Education Bureau are competent authorities in giving such confirmations. We also made consultations with three county-level education bureaus in Dongguan in April 2019, which confirmed that the duration of transitional period for teacher qualification requirement is until the end of 2019. We only conducted consultations with three county-level education bureaus in Dongguan, primarily because our three learning centers located in such counties in Dongguan had a relatively low percentage of teachers that had obtained teacher qualifications, which was approximately 31.6%, compared with approximately 85.9% of the number of teachers with teacher qualifications in the other six learning centers. With respect to teaching staff without teacher qualifications from those learning centers not covered by the confirmations we obtained from local education authorities, we have ceased their engagement in teaching activities and internally changed their positions from teachers to researching staff, training instructors or teaching assistants, and adjust their roles accordingly to comply with the relevant PRC laws and regulations. For teaching staff without teacher qualifications from the other learning centers that we obtained confirmations from local education authorities, we require them to participate in the teacher qualification examination in accordance with guidances of the competent education authorities, requirements of the Amended Law for Promoting Private Education and other related administrative rules, and if such teaching staff fail to obtain relevant teacher qualifications as required by the Amended Law for Promoting Private Education and related administrative rules by the end of 2019, we will cease their engagement in the training activities for Chinese, mathematics, English, physics, chemistry and other subjects and internally change their positions from teachers to researching staff, training instructors or teaching assistants, and adjust their roles accordingly to comply with the relevant PRC laws and regulations.

As of the Latest Practicable Date, we had 10 full-time teachers with teacher qualifications in Xiamen, Fujian province, representing approximately 19.2% of the total number of full-time teachers in Xiamen. According to our internal record, 26 full-time teachers from Xiamen participated in the written test of the teacher qualification examination in March 2019 and six of them have passed the written test. Going forward, we plan to hire teachers with teacher qualifications or internally change their positions from teachers to researching staff, training instructors or teaching assistants and adjust their roles accordingly to comply with the relevant PRC laws and regulations by the end of 2019. For the years ended December 31, 2016, 2017 and 2018, revenue derived from our learning centers in Xiamen was approximately RMB1.2 million, RMB9.9 million and RMB12.6 million, respectively, representing approximately 0.7%, 2.6% and 2.6% of the total revenue we recorded for the years ended December 31, 2016, 2017 and 2018, respectively. Given the fact that the proportion of revenue generated from our operated learning centers in Xiamen was relatively small during the Track Record Period, our Directors are of the view that our failure to comply with teacher qualification requirements in Xiamen will not have material or adverse impact on our business, financial condition and results of operations as a whole.

We had 94 full-time teachers in Dongguan participating in the written test of teacher qualification examination in March 2019, among which 40 have successfully passed the written test. We required the remaining teachers who had not obtained teacher qualifications to participate the teacher qualification examinations. To fully comply with the relevant PRC laws and regulations, we are committed to hiring more teachers with teacher qualifications to ensure that we have sufficient teaching resources for our operations, and we will internally change positions of those teachers who are not able to obtain teacher qualifications by the end of 2019 to work as researching staff, training instructors or teaching assistants at our learning centers. As of the Latest Practicable Date, we had 125 full-time teachers in Dongguan, Guangdong province, and all of them had obtained teacher qualifications.

In light of the promulgation of the Amended Law for Promoting Private Education and the Administrative Regulations from November 2016 and in order to increase the flexibility of our operations, we intend to choose to register all our learning centers operated in the form of private non-enterprise units as for-profit private after-school education institutions and will make appropriate applications, if and when feasible, subject to the detailed implementation rules to be released by competent local authorities. As of the Latest Practicable Date, we had four private non-enterprise entities, including one in Shenzhen, one in Xiamen and two in Foshan, which operated a total of 48 learning centers in these three cities. After promulgation of relevant guidance or governing rules, we intend to gradually change the registration of those learning centers operated in the form of private non-enterprise entities to limited liabilities companies. We also had 12 learning centers operated in the form of limited liabilities companies, including nine in Dongguan, one in Foshan and two in Huizhou. We are in the process of applying for the private school operation permit for Xiamen Lvcuo Learning Center, which will be operated in the form of a limited liabilities company after completing the relevant legal registrations.

Our Directors undertake that once the competent local authorities in regions where we operate other than Dongguan and Foshan begin to accept applications for for-profit private school operation permits, we will promptly prepare the application documents and satisfy the application requirements for obtaining the private school operation permits. For the risk that we may not be able to obtain private school operation permits, see "Risk Factors — Risks Relating to our Business and Our Industry — We may not be able to obtain or maintain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our tutoring services in the PRC."

We are closely monitoring the development of the regulatory environment in the locations where we operate. Pursuant to the PRC Income Tax Law and the relevant regulations, the companies of our Group which operate in the PRC are subject to EIT Law at a rate of 25% on their taxable income and some of our subsidiaries enjoyed preferential tax treatments, such as preferential tax treatments for Shenzhen Scholar, which is recognized as a high and new technology enterprise and is entitled to a preferential EIT rate of 15% from 2017 to 2019. Our Company confirms that for private non-enterprise units, it is also subject to EIT at a rate of 25%, which is the same as the tax rate as provided under the EIT. Given that the Amended Law for Promoting Private Education does not provide any revisions on the EIT or other regulations and rules related to the taxable income and tax treatments of our subsidiaries that are profit-generating, we believe the Amended Law for Promoting Private Education has no material adverse impact on our Group's business operations and tax implications. For the risks arising from the uncertainties involving new regulatory regime under the Amended Law for Promoting Private Education and the detailed measures promulgated or to be promulgated by the local education authorities, see "Risk Factors — Risks Relating to Our Business and Our Industry — New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects."

Circular 3 and the Guangdong Plan

Overview

Circular 3 was promulgated on February 13, 2018 which prohibits, among others, the following activities: (1) extracurricular private training schools and institutions providing courses that do not follow the formal school curriculums, and providing training to strengthen testing abilities for students; (2) extracurricular private training schools and institutions organizing after-school examinations and competitions for primary and middle school students; or any activities linking students' performance in extracurricular private training schools with admission of primary and middle schools; and (3) teachers in primary and middle schools from engaging in part-time jobs to provide tutoring services in after-school education institutions.

Further, under Circular 3, the education departments at county level are required to publish a "White List" listing the after-school education institutions without any misconduct, and a "Black List" listing the after-school education institutions with safety risks, misconduct or without qualification.

On April 12, 2018, Guangdong Plan was promulgated to stipulate detailed implementation requirements to enforce Circular 3 within Guangdong province.

I. ***Our Group's activities are not in violation of Circular 3 and the Guangdong Plan***

As advised by our PRC Legal Advisor, our Group's business of K-12 after-school education services is subject to and is not prohibited under Circular 3 and the Guangdong Plan, and our Directors have confirmed that our Group does not violate the requirements under Circular 3 and the Guangdong Plan based on the following:

1. *The services and products provided by our Group do not consist of any courses that do not follow the formal school curriculums or aim to strengthen testing abilities for students.*

The education services provided by our Group include academic preparation program and early primary education program. The academic preparation program is designed to enhance the learning ability and academic performance of students in all core academic subjects in primary, middle and high school levels, such as mathematics, Chinese, English, physics and chemistry. The early primary education program is designed to offer childhood education courses and hobby courses for early primary school students.

Neither the academic preparation program nor early primary education program is in violation of Circular 3 and the Guangdong Plan for the following reasons:

- Teaching approach and schedule: the contents taught in academic preparation program are similar to those in regular schools in the PRC. According to our Directors, our Group does not provide any courses that do not follow the formal school curriculums. The courses provided in the program are a supplement, review and integration on top of the teaching contents of the regular schools in the PRC. The teaching contents of the program emphasize the development of students' independent thinking ability and analytical ability in order to help students cultivate good self-learning habits and learning abilities, and to stimulate students' interest in learning. We provide in-class quizzes primarily with an aim to help students assess their learning outcome and do not intend to improve their scores or testing abilities;

- Teaching mode: the mode of teaching in the programs focuses on making the students more involved and the learning process more engaging and enjoyable, hence stimulating students' interest in learning;

- Teaching materials: most of the teaching materials used in the programs are developed by our in-house research and development team, based on the official teaching materials used by regular schools in the PRC. The teaching materials of our Group focus on developing independent thinking ability and analytical ability, and stimulating students' interest in learning;

- Education goal: the goal of the programs is to help students gain a better understanding of the subjects taught at schools. The program also aims at helping students develop their independent thinking ability, analytical ability, and good self-learning habits, and stimulate students' interest in learning. Instead of strengthening testing abilities for students, these programs aim at helping students have a better grasp of the curriculums in schools and improve their learning by using their independent thinking and analytical abilities.

According to the consultation we conducted with Shenzhen Education Bureau in February 2019, they confirmed that in-class quizzes or assessments are mainly offered by after-school education institutions to their students to monitor their teaching progress, and are not provided to the public. Therefore, Shenzhen Education Bureau confirmed that in-class quizzes or assessments do not constitute examinations or competitions for primary and middle school students that linking students' performance with admission of primary and middle schools as prohibited by Circular 3. Our PRC Legal Advisor is of the view that Shenzhen Education Bureau is the competent authority to give such confirmation and the in-class quizzes and assessments provided by us do not violate Circular 3.

Based on the above, our Directors are of the view that our education services do not consist of any courses that do not follow the formal school curriculums, strengthen testing abilities for students or link students' performance at our learning centers with admission to the regular schools.

2. *The learning centers of our Group are not listed on the "Black List" published by competent education authorities, and some of our Group's learning centers have been listed on the "White List."*

For enforcement of Circular 3 and the Guangdong Plan, the competent education authorities in certain areas of Guangdong province have recently carried out inspections on the after-school education institutions within their jurisdiction as required by Circular 3 and the Guangdong Plan. Based on their inspections, some competent authorities in certain districts of Shenzhen, Dongguan, Foshan and Xiamen have published a "Black List," which list after-school education institutions with safety risks, misconduct or without qualification, and/or a "White List," which list after-school education institutions without any misconduct in accordance with Circular 3 and the Guangdong Plan.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, all of our PRC Operating Entities located in Guangdong had not been listed on the "Black List" and our following PRC Operating Entities have been listed on the "White List": (1) Dongguan Dalang Scholar Training Center Co., Ltd.* (東莞市大朗思考樂培訓中心有限公司); (2) Dongguan Dongcheng Scholar Training Center Co., Ltd.* (東莞市東城思考樂培訓中心有限公司); (3) Dongguan Dongcheng Dongtai Scholar Training Center Co., Ltd.* (東莞市東城東泰思考樂培訓中心有限公司); (4) Dongguan Guancheng Diwang Scholar Training Center Co., Ltd.* (東莞市莞城地王思考樂培訓中心有限公司); (5) Dongguan Houjie Scholar Training Center Co., Ltd.* (東莞市厚街思考樂培訓中心有限公司); (6) Dongguan Humen Scholar Training Center Co., Ltd.* (東莞市虎門思考樂培訓中心有限公司); (7) Dongguan Wanjiang Scholar Training Center Co., Ltd.* (東莞萬江思考樂培訓中心有限公司); (8) Dongguan Changan Scholar Training Center Co., Ltd.* (東莞市長安思考樂培訓中心有限公司); and (9) Xiamen Siming District Scholar Education and Training School* (廈門市思明區思考樂教育培訓學校). We consulted Foshan Eructation Bureau (佛山市教育局) in

January 2019, which confirmed that Foshan will publish a "White List" at municipal level and our learning centers in Foshan will be in the "White List". Our PRC Legal Advisor confirms that Foshan Education Bureau is competent to provide the above confirmations.

Moreover, as we generated substantially all of our revenue from learning centers located in Guangdong during the Track Record Period, we consulted Shenzhen Education Bureau (深圳市教育局) and Foshan Education Bureau (佛山市教育局) with the assistance of our PRC Legal Advisor. We were advised by these education authorities that our Group was well-regulated and they did not find any violation of Circular 3 and the Guangdong Plan by our Group. Our PRC Legal Advisor confirms that these education authorities are competent to provide the above confirmations.

In summary, our Directors are of the view that our Group's K-12 after-school education services are not prohibited by Circular 3 and are subject to Circular 3 and the Guangdong Plan to the extent that our Company shall not engage in any non-compliance activities prohibited.

II. *The promulgation and enforcement of Circular 3 and the Guangdong Plan will not have a material adverse effect on our Group's business, financial condition and results of operations.*

As mentioned above, our Group has committed to stimulating students' interest in learning and enhancing their learning abilities by our curriculums, experienced teaching staff and services which are in compliance with Circular 3 and the Guangdong Plan. Therefore, our Directors believe that the promulgation and enforcement of Circular 3 and the Guangdong Plan will not have a material adverse effect on our Group's business, financial condition and results of operations. Our Directors confirmed that none of the learning centers of our Group has been involved in the investigation for any violation of Circular 3 or the Guangdong Plan as a result of random inspections by competent authorities. As of December 31, 2018, our Directors confirmed that the business of our Group were operated in the ordinary course, and none of the learning centers of our Group was required to cease operation or was subject to any fine or penalty for contravention of Circular 3 or the Guangdong Plan.

Our Group's business, financial condition and results of operations did not demonstrate any decline or reduction since the promulgation of Circular 3 and the Guangdong Plan. In addition, the number of students enrolled in our Group's after-school education services and the revenue generated in 2018 have increased as compared with 2017.

Based on the above, our Directors believe that the promulgation and enforcement of Circular 3 and the Guangdong Plan will not have a material adverse effect on the business, financial condition and results of operations of our Group. On the contrary, our Directors believe our Group's competitive advantage will be further enhanced while the illegal after-school education institutions and their behaviors are being rectified under Circular 3 and the Guangdong Plan.

III. *Our Group has not conducted any survey or obtained any statistics on whether its students use or to what extent they rely on the scores of examinations they took in our Group's after-school programs for admission to their preferred schools during the Track Record Period and our Group does not expect that there will be a material decrease in the demand of its after-school education services after the promulgation of Circular 3 and the Guangdong Plan.*

Although our Group believes that after-school tutoring services benefit students and assist them to enter their preferred schools, it has not conducted any survey or obtained any statistics on whether our Group's students use or to what extent they rely on the results of the assessments they underwent in our Group's after-school programs for admission to their preferred schools during the Track Record Period.

As our Group's after-school tutoring service programs and systems target to improve the students' general studying and learning abilities, rather than a short-term intensive training to improve the scores of the students, our Directors do not expect that there will be a material decrease in the demand for the after-school education services of our Group after the promulgation of Circular 3 and the Guangdong Plan.

The State Council Opinions 80

Overview

On August 22, 2018, the General Office of the State Council (國務院辦公廳) issued the State Council Opinions 80 which provided various guidance on regulating after-school training market for primary and secondary school students. Among others, consistent with Circular 3, the State Council Opinions 80 prohibit intensive exam-oriented training, advanced training that do not follow the formal school curriculums, and any arrangement that correlates students' examination performance in after-school education institutions to admission into primary and secondary schools. See "— Circular 3 and the Guangdong Plan."

Impact on Our Business

Among the two types of education programs we provide, the academic preparation program is designed with a specific focus on helping students to improve their performance in academic subjects of primary school, middle school and high school, while the early primary education program offers academic and interest courses such as performing arts and painting to students in Grade One to Grade Three of primary school. Our Directors confirm that none of these two programs involves any intensive exam-oriented training, advanced training beyond the national curriculum standards, or arrangements that correlate students' examination performance in after-school education institutions to admission into primary and secondary schools as prohibited by the State Council Opinions 80 and Circular 3. See "— Circular 3 and the Guangdong Plan" for an analysis of our compliance with Circular 3 in this respect.

After our self-review, our Directors confirmed that (i) our total leased area in 2018 for after-school education services was 90,047.76 sq.m.. The peak period of student attendance is from 2 p.m. to 4 p.m. every day during the summer break, and the highest student attendance number is 13,036. As a result, the average area per student of our learning centers in 2018 is 6.9 sq.m.. The State Council Opinions 80, which was issued on August 22, 2018, required the average area per student within any specific training period shall be no less than three square meters. Our Directors believe that we have been in compliance with the State Council Opinions 80 in this regard, according to our self-review; (ii) we have met the fire safety (except as disclosed in "— Legal Proceedings and Compliance — Noncompliance incidents" below) and environmental protection requirements; (iii) we have purchased site liability insurance to mitigate risks; (iv) we have not employed any in-service teachers that are employees of regular schools, and around 40.7% of our teachers teaching courses on school academic subjects have obtained teaching qualifications; (v) for courses on school academic subjects, key course information, including subjects, course schedules, and course syllabi, has been filed with the local education administration authorities and made public, and the course progress has not exceeded the same-period progress of local primary schools and secondary schools; (vi) our tutoring classes have ended no later than 8:30 p.m.; (vii) no homework has been assigned; (viii) no scored examination, competition or ranking in connection with the courses of primary schools or secondary schools has been arranged; (ix) we have not collected more than three months of tuition fee in one time following the promulgation of the State Council Opinions 80; and (x) we have not charged students any fees other than those that have been made public and no compulsory fund-raising in any name have been made among students.

Based on our self-review, our Directors are of the view that we have already complied with the State Council Opinions 80 where applicable in material aspects in relation to the operation of after-school education institutions and have been taking measures to ensure such compliance with the State Council Opinions 80. Furthermore, as we generated substantially all of our revenue from learning centers located in Guangdong province during the Track Record Period, accompanied by our PRC Legal Advisor, we consulted with Shenzhen Education Bureau (深圳市教育局) and Foshan Education Bureau (佛山市教育局). We were advised, among others, that (1) the local governments at municipality and county level will issue additional detailed guidance and implementing rules on supervising the after-school education institutions in accordance with the State Council Opinions 80 and the after-school education institutions are required to comply with the State Council Opinions 80 and these detailed guidance and implementing rules; (2) the after-school education institutions are allowed to rectify those aspects not in compliance with the State Council Opinions 80 within a certain period, and the after-school education institutions will not be subject to any penalty during such period; (3) the State Council Opinions 80 will not cause material adverse effect on us should we operate in accordance with these opinions and the relevant detailed guidance and implementing rules; and (4) they did not find any violation of the State Council Opinions 80 by our learning centers in Shenzhen and Foshan in material aspects. Our PRC Legal Advisor confirms that the Shenzhen Education Bureau and Foshan Education Bureau are competent to provide the above confirmations.

Based on our self-review and our consultations with the competent authorities mentioned above, our Directors are of the view that our business, financial condition and results of operations, taken as a whole, will not be materially and adversely affected by the State Council Opinions 80 in the long term. Based on (1) the confirmations provided by the Shenzhen Education Bureau and Foshan Education Bureau, and (2) our PRC Legal Advisor's search on the relevant government authorities' website, our PRC Legal Advisor is of the view that the risk that learning centers in Shenzhen and Foshan may be subject to the material administrative penalties under the State Council Opinions 80 is low. However, uncertainties still exist as the State Council Opinions 80 only set out general guidance on regulating after-school education institutions targeting primary and secondary school students; there are potential conflicts between the State Council Opinions 80 and previously published government policies which requires further interpretation and clarification; and competent authorities may set more specific and stringent operation requirements under the State Council Opinions 80. See "Risk Factors — Risks Relating to Our Business and Our Industry — Uncertainties exist in relation to the State Council Opinions 80, which may materially and adversely affect our business, financial condition, and results of operations."

Circular 10

Overview

On November 20, 2018, the General Office of the MOE (中華人民共和國教育部辦公廳), the General Office of the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局辦公廳) and the General Office of the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部辦公廳) jointly issued the Circular 10, which provides specific requirements for the local people's governments at all levels in the implementation of the State Council Opinions 80.

Impact on Our Business

Circular 10 provides, among other things, that (1) the local education authorities shall accelerate the approval process of the private school operation permits and, in particular, grant as soon as possible such permits to those after-school education institutions that meet the applicable establishment standards; (2) the after-school education institutions that fail to meet the applicable establishment standards shall suspend operation pending ratification; and (3) the after-school education institutions without valid private school operation permits and business licenses shall cease operation by the end of 2018. One of our PRC Operating Entities in the form of limited liability company, namely Xiamen Scholar, did not obtain private school operation permit as of the Latest Practicable Date. As advised by our PRC Legal Advisor, Xiamen Education Bureau and other three local bureaus had jointly issued Xiamen After-school Training Institutions Setting Standards (Trial Implementation) (《廈門市校外培訓機構設置標準(試行)》) on January 10, 2019 and commenced to accept applications for the private school operation permits. Our Directors confirmed that we closed the learning center operated by Xiamen Scholar in May 2019. See "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to obtain or maintain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our education services in the PRC."

Upon the issuance of Circular 10, with the assistance of our PRC Legal Advisor, we consulted Shenzhen Education Bureau and Foshan Education Bureau, being the competent authorities as advised by our PRC Legal Advisor, and were advised that they did not find any violation of the Circular 10 by our learning centers in Shenzhen and Foshan in material aspects.

Our PRC Operating Entities in the form of limited liability companies were established in Guangdong province (including Shenzhen, Dongguan, Foshan and Huizhou) and Xiamen, Fujian province, in which one PRC Operating Entity in Xiamen has not filed application for private school operation permits because, as advised by our PRC Legal Advisor, the relevant competent authorities in Xiamen had not issued guidelines or measures regarding the application for private school operation permits for for-profit after-school education institutions in the form of limited liability by January 2019 and therefore had not commenced to accept such applications until January 2019. Our Directors confirmed that we closed the learning center operated by Xiamen Scholar in May 2019. In addition, Xiamen Lvcuo Learning Center* (廈門市呂厝校區) commenced operations without obtaining private school operation permit and completing the required legal registration with the relevant government authorities. Our Directors confirmed that Xiamen Lvcuo Learning Center* (廈門市呂厝校區) filed application for the private school operation permit with the relevant local authorities in February 2019. In addition, during the Track Record Period, Foshan Chancheng Center and Foshan Chancheng Qifan Learning Center* (佛山市禪城區啟凡教育培訓中心) commenced operations without filing legal registrations with the relevant government authorities. As of the Latest Practicable Date, we were in the process of applying for the private school operation permit for Xiamen Lvcuo Learning Center. Our Directors have confirmed that they are not aware of any circumstances that would render us unable to obtain the relevant private school operation permit. Based on our PRC Legal Advisor's interview with our management in relation to the basic conditions for obtaining the relevant private school operation permit under applicable PRC laws and regulations, our PRC Legal Advisor is not aware of any material legal impediment that would prevent us from obtaining the relevant private school operation permit, the issuance of which is, however, subject to the discretion of, and final determination by, the relevant authority. Our Directors expect that, based on their experience and barring unforeseen circumstances, it will be able to obtain the private school operation permit by the end of June 2019. Upon obtaining the operation permit, we will complete the legal registration procedures for Xiamen Lvcuo Learning Center in a timely manner. We completed the required legal registration procedures for both Foshan Chancheng Center and Foshan Chancheng Qifan Learning Center in January and April 2019, respectively.

In addition, Circular 10 provides that (1) the local education authorities shall formulate measures and organize the expert teams to assess whether the courses provided by after-school education institutions follow the formal school curriculums; (2) the departments of education at county levels shall as soon as possible complete their work on registration and approval of after-school training courses such as their names, contents, target students, syllabi, and schedules; and (3) no students shall be enrolled before completion of such registration and approval. During our consultation with the Shenzhen Education Bureau, we were advised that the government authorities in Shenzhen have issued guidelines and specific measures for such registration and approval in accordance with Circular 10. Our Directors undertake that we will take necessary measures to comply with the requirements of local authorities in Shenzhen.

Given that Circular 10 is a document setting out implementing rules consistent with the principles already provided under the State Council Opinions 80 and we are in the process of preparing or submitting the application, or being examined by the competent authorities, for approval of the private school operation permits, our Directors are of the view that the issuance and implementation of Circular 10 will not have any material adverse impact on our business. See "— New Education Regulations — The State Council Opinions 80", "Risk Factors — Risks Relating to Our Business and Our Industry — Uncertainties exist in relation to the State Council Opinions 80, which may materially and adversely affect our business, financial condition, and results of operations" and "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to obtain or maintain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our tutoring services in the PRC" for details.

As advised by our PRC Legal Advisor, the learning centers in Dongguan are not in violation of Circular 3, the Guangdong Plan, State Council Opinions 80 and Circular 10 in any material aspects (other than the teacher qualification requirement set out in the section headed "Business — New Education Regulations Overview — The Amended Law for Promoting Private Education — Impact on our business") since (a) the relevant operating entities are listed on the "White List", (b) the relevant operating entities established before 2019 have passed the 2018 annual inspection, (c) three county-level education bureaus in Dongguan have confirmed that they have not received any complaint relating to the relevant operating entities or found such operating entities in violation of Circular 3, Guangdong Plan, State Council Opinions 80 or Circular 10, and (d) the relevant operating entities have not been subject to any material administrative penalties for any non-compliant incidents under Circular 3, the Guangdong Plan, State Council Opinions 80 or Circular 10.

As advised by our PRC Legal Advisor, two out of three of our learning centers, namely Xiamen Scholar and Xiamen Lvcuo Learning Center* (廈門市呂厝校區), are not in compliance with Circular 3, State Council Opinions 80 and Circular 10 as they commenced operations without obtaining private school operation permits during the Track Record Period (see "— Legal Proceedings and Compliance — Non-compliance Incidents" in this section), and the remaining learning center in Xiamen is not in violation of Circular 3, State Council Opinions 80 and Circular 10 in any material aspects (other than the teacher qualification requirement set out in the section headed "Business — New Education Regulations Overview — The Amended Law for Promoting Private Education — Impact on our business"), since such learning center is listed on the "White List" and has not been subject to any material administrative penalties for any non-compliant incidents under Circular 3, State Council Opinions 80 or Circular 10.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to various claims, legal actions and administrative penalties arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not commit any material non-compliance of the laws or regulations, and we did not experience any systemic non-compliance incidents, which taken as a whole, in the opinion of our Directors, are likely to have a material adverse effect on our business, financial condition or results of operations. Our PRC Legal Advisor is of the opinion that, other than disclosed in this prospectus, we had complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

From time to time, we may also be subject to legal proceedings, investigations, claims and administrative penalties incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, are likely to have a material adverse effect on our business, financial condition or results of operations.

Non-compliance Incidents

The following table sets forth the details of our non-compliance incidents as of the Latest Practicable Date:

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
1.	During the Track Record Period, (i) Scholar Center released advertisements without the approval of the department for record and was subject to certain administrative penalties due to such non-compliance incident; (ii) Scholar Center was fined due to the illegal use of student image for recommendation; (iii) Shenzhen Scholar Luohu Branch Company* (思考樂文化羅湖分公司) was fined for making guaranteed commitment to education and training outcome, which was prohibited by the Advertising Law of the PRC (《中華人民共和國廣告法》); and (iv) Shenzhen Scholar was fined due to its set up of outdoor advertisements without approval of the local urban management department.	The non-compliance incidents occurred primarily due to (i) the oversight by the handling personnel of our marketing and relevant departments being unfamiliar with relevant regulatory requirements; and (ii) our failure to establish detailed procedures to review the advertising materials before releasing.	As advised by our PRC Legal Advisor, (i) on September 18, 2016, Scholar Center was ordered to correct and fined RMB5,000 for releasing advertisements without the approval of the department for record pursuant to the Determination on Administrative Penalty issued by Shenzhen Education Bureau; (ii) on February 24, 2017, Scholar Center was ordered to make corrections and was given a warning and fined RMB4,000 due to the alleged illegal use of students' image for recommendation pursuant to the Determination on Administrative Penalty issued by Luohu Market Supervision and Administration Bureau (深圳市市監局羅湖市場監督管理局); (iii) on April 18, 2017, Shenzhen Scholar Luohu Branch Company* (思考樂文化羅湖分公司) was fined RMB960 for the alleged false publicity pursuant to the Determination on Administrative Penalty issued by Luohu Market Supervision and Administration Bureau (深圳市市監局羅湖市場監督管理局); and (iv) on June 16, 2017, Shenzhen Scholar was fined RMB5,000 pursuant to the Administrative Punishment Decision issued by Shenzhen Longgang District Bantian Subdistrict Office (深圳市龍崗區阪田街道辦事處) for setting up outdoor advertisements without approval of the local urban management department.	We conducted a self-review and had ceased all such illegal advertising activities and paid the fines. We have adopted the following internal control measures to prevent recurrence of such non-compliance incidents: (i) we have set up an advertisement guidance with regard to the advertising activities of our Group, including the content of the material which needs to comply with the legal requirement, as well as the review procedure; (ii) for advertisement that needs government department approval, our executive staff will comply with relevant policies and obtain approval from the government department before releasing relevant advertising materials; and (iii) as relevant PRC advertising policies categorize advertising into regular and important advertising. In case our advertisement to be released meets certain importance level, we will comply with such policies to get such advertisement reviewed by the legal department and retain such review records.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
2.	During the Track Record Period, we had not made contributions to the social insurance plans and housing provident funds for all of our employees based on their actual salary level.	The non-compliance incident occurred primarily because (i) our handling personnel were unfamiliar with the relevant requirements and inconsistent implementation or interpretation of the relevant regulations and policies by the local authorities; and (ii) we did not set up a detailed plan to comply with such requirements when such non-compliance incident occurred.	Our PRC Legal Advisor has advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making full social insurance payments for employees in a timely manner. If any competent PRC government authority is of the view that the social insurance payments we made for our employees breached the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of indebtedness. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one and three times of the total outstanding balance. Our PRC Legal Advisor has also advised us that, if any PRC competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC local authorities within a prescribed period, and if we fail to do so within the time limit, it can apply to the people's court for compulsory execution. On September 18, 2018, the general meeting of State Council announced that it is necessary to ensure that the existing social security policy is stable, and it is strictly prohibited to collectively initiate or proactively recover the unpaid social security contributions from enterprises. On September 21, 2018, the Ministry of Human Resources and Social Security of the PRC issued the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), which required that before the reform of the social security collection institutions is in place, relevant social security payment base, rate and other relevant collection policies shall remain unchanged. It is strictly prohibited for the relevant authorities to collectively initiate and proactively collect the unpaid social security contributions from enterprises. On November 16, 2018, the State Administration of Taxation issued the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), pursuant to which the State Administration of Taxation will actively cooperate with relevant departments to come up with proposals for lowering the social security rate, and relevant authorities shall not initiate and collect unpaid social security contributions from payers. Our Directors have confirmed that the lack of strict adherence to relevant PRC laws and regulations did not involve any fraud or dishonesty. As advised by our PRC Legal Advisor, we have not experienced any regulatory intervention or material disputes in relation to the lack of strict adherence to relevant PRC laws and regulations of social insurance and housing provident funds. Our Directors are of the view that our historical lack of strict adherence to relevant PRC laws and regulations will not materially and adversely affect our business and results of operations.	Based on various written confirmations from, and/or consultations with, the relevant local authorities which, as advised by our PRC Legal Advisor, are competent authorities for such purposes, we understand that the relevant authorities acknowledged the basis during the Track Record Period on which our contributions were made and would not compel us to make supplementary contributions or impose any penalty on us. Our PRC Legal Advisor is of the view that if the social insurance contribution policy acknowledged by the relevant authority would remain unchanged and no conflicting local policy would be applied, the risk of us being subject to any administrative penalty is remote. As of the Latest Practicable Date, our Directors confirmed that we had not received any notice from any government authorities objecting to the basis on, and the manner in, which our contributions to employee security plans are made or experienced any form of regulatory intervention in relation to our contributions to employee security plans. On the basis of the confirmations and/or the outcome of consultations we had from and with competent authorities and the advice from our PRC Legal Advisor that the risk of us being subject to any administrative penalty is remote, we did not make any relevant provision in our financial statements We have adopted the following internal control measures to prevent recurrence of such non-compliance incident: (i) we have reviewed our internal control policy with regard to designating personnel of human resources department to closely monitor our ongoing compliance with social insurance contribution regulations and oversee the implementation of any necessary measures. We will assign designated personnel at each of our learning centers to monitor the status of the contributions to social insurance plans and housing provident funds on a monthly basis in order to ensure that we have made these contributions for our employees and on a timely basis in accordance with the applicable laws and regulations. Written records with respect to the status of the contributions to social insurance plans and housing provident funds are properly prepared, maintained and reviewed by the designated personnel on a monthly basis; and (ii) as an annual compliance measure following the Listing, we will continue to communicate with our employees with regard to the employee social insurance plans, and contribute to the employee social insurance plans consistent with the standards stipulated under the applicable PRC laws and regulations. In addition, we will also arrange regular training for our Directors and senior management on the latest development of the relevant laws and regulations. We have designated Mr. Qi Mingzhi, our executive Director and chief executive officer, to be in charge of our on-going compliance with employee security plans.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
3.	During the Track Record Period and up to the Latest Practicable Date, Xiamen Scholar and Xiamen Lvcuo Learning Center* (廈門市呂厝校區) commenced operations without obtaining private school operation permits. During the Track Record Period and up to the Latest Practicable Date, Xiamen Lvcuo Learning Center* (廈門市呂厝校區) commenced operations without filing legal registrations with the relevant government authorities.	The non-compliance incidents occurred primarily because we initially intended to register Xiamen Scholar and Xiamen Lvcuo Learning Center as for-profit after-school education institutions which would be operated in the form of limited liabilities companies. However, the relevant regulations or implementation measures regarding for-profit after-school education institutions' applications for private school operation permits in Xiamen City, Fujian province had not been issued by the local competent authorities until January 2019.	As advised by our PRC Legal Advisor, as an after-school education institution that commences operations but fails to obtain private school operation permits and complete the legal registrations, we may be ordered by the relevant government authorities to suspend business operations, return collected tuition fees and our sponsors may be fined not less than one time but not more than five times of the amount of illegal gains. As of the Latest Practicable Date, our Directors confirmed that no administrative action, fines or penalty had been imposed by the relevant regulatory authorities with respect to our lack of private school operation permits for Xiamen Lvcuo Learning Center and Xiamen Scholar. Our PRC Legal Advisor is of the view that the likelihood of any administrative penalty in respect of this non-compliance incident is relatively low, on the basis that: (i) the education department of Siming District of Xiamen City (which is, as confirmed by our PRC Legal Advisor, a competent authority) is aware of this non-compliance incident; (ii) as confirmed by the Directors, no administrative action, fines or penalty has been imposed by any regulatory authorities with respect to this non-compliance incident; and (iii) we are in the process of obtaining the operation permit for Xiamen Lvcuo Learning Center* (廈門市呂厝校區) and we closed down Xiamen Scholar in May 2019.	As of the Latest Practicable Date, Xiamen Education Bureau and other three local bureaus had jointly issued Xiamen After-school Training Institutions Setting Standards (《廈門市校外培訓機構設置標準(試行)》) on January 10, 2019 which stipulated standards for for-profit after-school education institutions to take applications for the operation permits. Our Directors confirmed that Xiamen Lvcuo Learning Center* (廈門市呂厝校區) filed application for the operation permit in February 2019 and we expect to obtain the operation permit by the end of June 2019. Our Directors undertake that our Xiamen Lvcuo Learning Center* (廈門市呂厝校區) will complete the legal registration procedures as soon as it obtains the private school operation permit pursuant to Xiamen After-school Training Institutions Setting Standards (《廈門市校外培訓機構設置標準(試行)》). Our Directors confirmed that, we closed the learning center operated by Xiamen Scholar in May 2019 as it failed to comply with the fire safety requirements. We were given to understand that the application for the private school operation permit will not be accepted by the relevant authority unless such fire safety requirements are complied with. To prevent the recurrence of such non-compliance incidents, our Group has adopted internal guidelines relating to the opening of new learning centers. We require all learning centers that we intend to establish in the future to obtain the requisite operation permits, business licenses and complete all necessary legal registrations with competent government authorities pursuant to the relevant PRC laws and regulations before commencing operations. Our administrative department will be responsible for checking and inspecting the validity of all legal licenses and permits obtained.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
4.	During the Track Record Period, two of our learning centers, namely Foshan Chancheng Center and Foshan Chancheng Qifan Learning Center* (佛山市禪城區啟凡教育培訓中心) commenced operations without filing legal registrations with the relevant government authorities. During the Track Record Period, Shenzhen Luoling Learning Center* (深圳螺岭校區) commenced operations without having obtained the registration certificate of branch places of cultural education training institutions in Shenzhen (深圳市文化教育培訓機構教學點登記證).	These incidents occurred primarily due to (i) our administrative oversight and the handling personnel being unfamiliar with the relevant regulatory requirements; and (ii) our failure to formalize the procedures to review the legal registrations before such learning centers commenced operations.	As advised by our PRC Legal Advisor, our learning centers commenced operations without completing the required registration procedures may subject us to suspension of business, refund of tuition fees and a fine of one to five times of the illegal income. As of the Latest Practicable Date, our Directors confirmed no administrative action, fine or penalty had been imposed by the relevant regulatory authorities for our failure to file legal registrations for such learning centers. We consulted Foshan Education Bureau (佛山市教育局) in January 2019 and they confirmed that after-school education institutions which have obtained private school operation permits are allowed to deliver education services. If such after-school education institutions are in the process of applying for legal registrations, they will not be subject to any penalty. As advised by our PRC Legal Advisor, Foshan Education Bureau is a competent authority to give such confirmation. For Shenzhen Luoling Learning Center (深圳螺岭校區), we conducted an interview with Shenzhen Education Bureau in 2019, which confirmed that we will not be subject to any penalty for failing to obtain the registration certificate in the past. As advised by our PRC Legal Advisor, Shenzhen Education Bureau is a competent authority to give such confirmation.	Our Foshan Chancheng Center and Foshan Chancheng Qifan Learning Center* (佛山市禪城區啟凡教育培訓中心) completed the required legal registration procedures in January and April 2019, respectively. For Shenzhen Luoling Learning Center* (深圳螺岭校區), we closed it in 2018. Our Group has adopted the following internal control measures to prevent recurrence of such non-compliance incident that we have published the Notice on Requirement of Application for School Operation Permit for Newly Opened Learning Center (《關於集團公司開設新分校申請辦學許可要求的通知》) which sets forth details on the review and approval procedure before approving a newly opened learning center to start operation. A designated management staff is responsible for the filing of legal registrations. Such management staff is required to review the filing of legal registrations before approving the commencement of the operation of such learning center.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
5.	During the Track Record Period, Scholar Center did not pass the annual inspection in 2017.	This incident was primarily caused by (i) our unauthorized establishment of branch learning centers as Scholar Center had not obtained the Registration Certificate of Branch Places of Cultural Education Training Institutions in Shenzhen (深圳市文化教育培訓機構教學點登記證) for certain of its branch learning centers when taking the annual inspection in 2017; and (ii) exaggerated advertisements.	As advised by our PRC Legal Advisor, an after-school education institution that violates the rules and regulations for its operations may be ordered by the relevant government authorities to suspend business operations and may be subject to penalties prescribed by the relevant PRC laws and regulations. If the results of annual inspections are "unqualified" for two consecutive years, the private school operation permit may be suspended according to the relevant local regulations in Shenzhen. In addition, according to the interview with the relevant officer from Shenzhen Education Bureau, even though the private school operation permit is unlikely to be suspended in practice if the results of annual inspections are "unqualified" for two consecutive years, we may also be subject to severe penalties imposed by the relevant government authorities.	We conducted interviews with an official of Shenzhen Education Bureau, and we were given to understand that, based on the knowledge of such official: (i) Scholar Center had rectified the non-compliance issues; (ii) the warning imposed by Shenzhen Education Bureau on Scholar Center was the minimum penalty and was immaterial; (iii) Scholar Center had passed the 2015 and 2016 annual inspections; (iv) failure to pass the annual inspection for one year would not affect the validity of the existing private school operation permit, and would not have any material adverse impact on the business operations of Scholar Center; (v) the Shenzhen Education Bureau has not received any complaint(s) or found any non-compliance issues relating to Scholar Center in 2018; and (vi) Scholar Center had already submitted the relevant documents with respect to the 2018 annual inspection, and there would not be any material impediment to Scholar Center passing the 2018 annual inspection. As advised by our PRC Legal Advisor, Shenzhen Education Bureau is the competent authority to be interviewed with respect to the subject matters above. To prevent recurrence of such non-compliance incident, our Group will proactively conduct self-review before submitting materials for annual inspections and ensure that we comply with the regulatory requirements in material aspects for operating after-school education institutions. We will use our best efforts to satisfy relevant requirements and pass the annual inspections in 2018. Given that we have rectified such non-compliance and obtained confirmations from the relevant government authorities, our Directors believe such incident will not materially and adversely impact our business and results of operations and there is no obstacle for us to pass the annual inspection in 2018.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
6.	As of the Latest Practicable Date, the lease agreements of our 77 leased properties had not been registered and filed with relevant land and real estate management departments in China. The aggregate leased area of the affected properties is 94,908.89 sq.m., representing 83.4% of the total gross floor area of our leased properties. As of the Latest Practicable Date, the contractual use of nine of our leased properties was inconsistent with the planned use on building ownership certificates. The aggregate leased area of the affected properties is 9,481.82 sq.m., representing approximately 8.3% of the total gross floor area of our leased properties.	The non-compliance incidents occurred primarily due to (i) the oversight of the handling personnel of our relevant departments being unfamiliar with relevant regulatory requirements; (ii) our failure to establish detailed procedures to review the registration status of our Group's lease agreements before starting operation; and (iii) the landlords usually being reluctant to cooperate with us to register the lease agreement.	Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, 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. According to the relevant PRC laws and regulations, both lessors and lessees may be ordered 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 advised by our PRC Legal Advisor, properties that have been changed the nature of use in violation of relevant PRC laws and regulations may not be rented. If such properties were rented, the competent government authorities may order to make corrections within a time limit and may impose a fine on the lessor. As of the Latest Practicable Date, our Directors confirm that we had not received any request or order from the relevant government authorities requiring us to rectify the abovementioned issues. Our PRC Legal Advisor is of the view that the risks of relocation and potential fines imposed by the relevant government authorities as a result of our failure to register or file the lease agreements will not materially and adversely affect our business operations in the PRC.	The registration of the relevant lease agreements requires the cooperation of the relevant lessors, which is not within our control. We endeavour to use reasonable efforts to communicate with the relevant lessors with a view to fulfilling the registration requirements. In particular, we will, to the extent practicable, request the relevant lessors to comply with the registration requirements upon renewal of the relevant leases agreements. Our Group has adopted the following internal control measures to prevent recurrence of such non-compliance incident: we have set up the relevant policy with regard to the registration of lease agreements, including the assignment of roles and responsibilities to our staff, as well as registration procedures.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification measures and enhanced internal control measures
7.	During the Track Record Period and up to the Latest Practicable Date, one of our leased properties, which was used as the premises for our learning center, with a gross floor area of 704.08 sq.m. had obtained fire design approvals but did not complete the required fire safety inspections.	The non-compliance incident occurred primarily because such leased property is an unauthorized construction which resulted in the failure to complete the fire safety inspections of such property.	As advised by our PRC Legal Advisor, failure to pass fire safety inspections may subject us to (i) an order to suspend the construction works, or the use of the site, or the operation of the relevant business; and (ii) a fine of between RMB30,000 and RMB300,000. During the Track Record Period, we were subject to various administrative penalties due to non-compliance with fire safety regulations in the PRC: (i) Pursuant to the Determination on Administrative Penalty issued by Fire Control Supervision and Management Brigade of Longhua Branch Office of Shenzhen Public Security Bureau (深圳市公安局龍華分局消防監督管理大隊)on February 24, 2017, Shenzhen Scholar was fined RMB1,000 for using unqualified fire protection products in places where there are no intensive personnel and failing to change the products within the specified time limit; (ii) Pursuant to the Determination on Administrative Penalty issued by Fire Control Supervision and Management Brigade of Baoan Branch Office of Shenzhen Public Security Bureau (深圳市公安局寶安分局消防監督管理大隊) on April 13, 2017, Shenzhen scholar Baoan Shangdu Garden Branch Company (深圳思考樂寶安尚都花園分公司) was ordered to stop use and fined RMB30,000 as such company was put into use without fire control acceptance; (iii) Pursuant to the Determination on Administrative Penalty issued by Fire Control Supervision and Management Brigade of Futian Branch Office of Shenzhen Public Security Bureau (深圳市公安局福田分局消防監督管理大隊) on July 11, 2017, Scholar Center was ordered to stop the use and fined RMB10,000 for failing to perform fire protection design filing and fire control completion filing according to relevant laws and regulations; (iv) Pursuant to the Determination on Administrative Penalty issued by Fire Control Supervision and Management Brigade of Fire Control Supervision and Management Brigade of Nanshan Branch Office of Shenzhen Public Security Bureau (深圳市公安局南山分局消防監督管理大隊) on July 24, 2017, Shenzhen Scholar was ordered to stop the use and business operations and fined 30,000 yuan, due to continuing operation with unqualified fire control completion filing check of the construction project; (v) Pursuant to the Determination on Administrative Penalty issued by Fire Control Supervision and Management Brigade of Luohu Branch Office of Shenzhen Public Security Bureau (深圳市公安局羅湖分局消防監督管理大隊) on October 25, 2017, Shenzhen Scholar Wenjing middle road Branch Company (深圳思考樂文錦中路分公司) was ordered to suspend business operations and fined RMB30,000 as such company had been put into use without providing the "*Construction Project Fire Acceptance Opinion*"; (vi) Pursuant to the Determination on Administrative Penalty issued by Fire Control Supervision and Management Brigade of Luohu Branch Office of Shenzhen Public Security Bureau (深圳市公安局羅湖分局消防監督管理大隊) on November 14, 2017, the Jingji Oriental Huadu Branch (京基東方華都店) of Shenzhen Scholar was fined RMB10,000 as it had illegally lowered the fire technology standards for construction and had not rectified it. Our Directors confirmed that we have rectified and paid all the fines imposed on us with respect to the non-compliance incidents described above such administrative penalties did not have any material adverse impact on our financial condition and business operations.	The learning center that occupies such property is operated by Xiamen Scholar. We closed this learning center in May 2019. Our Group has adopted the following internal control measures to prevent recurrence of such non-compliance incident: (i) we will require the agencies, who will be engaged by us to deal with our fire filing and approval matters, to provide all the necessary qualification documents or certificates to file and review; (ii) we have set up the relevant policy with regard to the qualification standards of the agencies and the verification requirements for the filing documents provided by such agencies; (iii) we have developed a training plan to provide professional knowledge of all necessary approvals, licenses and filings to our executive personnel in the license management department; and (iv) all the certificates/filings of each of our learning centers have been filed and kept by a designated personnel. Our license management department has summarized the information of certificate/filings and designated staff at each of our learning centers to timely update such information. In addition, we have set up a policy with regard to property leasing requirements that the property to be leased should be authorized construction with no legal defects.

No.	Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Enhanced internal control measures
8.	During the Track Record Period, we failed to display information and qualification of our teachers as required under the PRC laws and regulations at 5% of our learning centers.	The non-compliance incident occurred primarily due to the oversight of our handling personnel being unfamiliar with relevant regulatory requirements.	On August 31, 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》), which provides that the after-school education institutions shall display teachers' information and qualification. According to the consultation we conducted with Shenzhen Education Bureau in April 2019, they confirmed that if they found any after-school education institutions that had failed to display teachers' information and qualification as required under relevant PRC laws and regulations, they might issue rectification notice and would not be impose any administrative penalties on such after-school education institutions and the operations of such after-school education institutions would not be adversely impacted.	As confirmed by our Directors, (i) such non-compliance incident did not involve fraud or dishonesty of our Directors; (ii) we had not been subject to any administrative penalties in this regard; and (iii) as of the Latest Practicable Date, we had complied with the relevant requirement by displaying information and qualification of all of our teachers at all of our learning centers. Our Group has adopted the following internal control measures to prevent recurrence of the non-compliance incidents: we have provided training for our handling staff in respect of the relevant legal and regulatory requirements, and will conduct such training on a regular basis going forward.

Enhanced Internal Control Measures to Prevent Reoccurrence of Non-Compliance

In order to further improve our corporate governance and to mitigate the risk of non-compliance incidents in the future, we intend to adopt or have adopted the following measures:

- we had engaged an independent internal control advisor to conduct the internal control review based on our non-compliance incidents, including the absence of contribution to the social insurance plans and housing provident funds, the non-filing of legal registrations in respect of its learning centers, the non-compliant advertisements, the non-registration of the Group's lease agreements and the failure in completing the required fire safety filings, to review the remedial measures taken by us to such incidents and the independent internal control advisor raised no further recommendation. The internal control review was conducted based on information provided by the Group and no assurance on opinion on internal controls was expressed by the internal control advisor;

- we will provide our Directors and senior management and human resources personnel with trainings regarding the legal and regulatory requirements applicable to the business operation of our Group from time to time;

- the designated personnel from human resources department will review the reporting and contributions of social insurance and housing provident fund for our employees and report to our senior management on a regular basis.

Our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity against any claims, fines and other liabilities arising from the non-compliance incidents described above. See "G. Other Information — 1. Deed of Indemnity" in Appendix V.

Each of our Directors has confirmed that the non-compliance incidents did not involve any fraud or dishonesty. Having considered the relevant facts and circumstances, in particular, the financial condition and/or business operations of our Group as a whole have not been subject to any material adverse effect (in particular, as confirmed by our Directors, during the Track Record Period, there had not been any material student injuries or accidents that were attributable to any of our non-compliance incidents and our tutoring activities had not been disrupted to any material extent on account of any of our non-compliance incidents), our rectification and enhanced internal control measures adopted to prevent recurrence, our Directors are of the view that our non-compliance incidents would not materially adversely affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would lead it to cast doubts on the views of our Directors above.

SETTLEMENT THROUGH THE PERSONAL BANK ACCOUNTS OF OUR DIRECTORS AND EMPLOYEES

Background

In the past, there have been instances in which personal bank accounts of our Directors and employees were used for business transactions on behalf of our Group. The decision to use personal bank accounts in the past was primarily made to facilitate us to receive and pay funds in a more flexible and convenient manner and better serve our customers.

During the Track Record Period, a total of 23 personal bank accounts (the "**Personal Accounts**") under the names of nine Directors, employees and their relatives were used, in accordance with the instructions of our Group for the settlement of corporate funds, including receipt of tuition fees from our students and their parents (the "**Arrangements**"). The use of such Personal Accounts was solely for administrative convenience strictly restricted to business purposes of our Group only.

Transaction Amounts Involved and Cessation of the Arrangements

Our Directors confirmed that all of our Personal Accounts were only used for receiving payments from our students and their parents and we did not make any payments through such Personal Accounts except transfers to our corporate bank accounts. For the years ended December 31, 2016, 2017 and 2018, funds received through such Personal Accounts amounted to approximately RMB176.2 million, RMB26.3 million and nil, respectively, representing approximately 69.3%, 4.7% and nil, respectively, of the total amount received through all of our bank accounts, including both corporate accounts and the Personal Accounts.

Our Directors' relatives were used for the settlement of corporate funds, primarily because these people are reliable, cooperative and easy for us to reach out, allowing us to manage the accounts in a flexible manner. We had 23 Personal Accounts with only nine account holders, mainly because certain Personal Accounts were opened in different banks near our learning centers under the name of the same holders to facilitate cash deposit.

The Personal Accounts holders who are not Directors or employees of our Group were (i) Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan; (ii) Mr. Chen Yusen and Ms. Xu Suying, the parents of Mr. Chen Qiyuan; and (iii) Mr. Chen Yunfei, a brother-in-law of Mr. Chen Qiyuan. The total amount of tuition fees deposited into their Personal Accounts were approximately RMB6.0 million, RMB1.7 million and nil, respectively, for the years ended December 31, 2016, 2017 and 2018.

Our Directors confirmed that as of December 31, 2017, we had ceased the use of all Personal Accounts and all bank balances in the Personal Accounts had been subsequently transferred to our corporate bank accounts, with the total balance in the Personal Accounts being nil as of December 31, 2017. Our Directors have confirmed that all payments received from our students and their parents through the Personal Accounts (i) involved no illegal income; (ii) were fully supported by genuine transactions along with the underlying transaction documents; and (iii) involved no intent of tax evasion as all amounts received were duly accounted for in our tax filings. Our Directors have also confirmed the accuracy and completeness of our accounting books and records in all material respects.

Our Directors also consider that the cessation of the use of Personal Accounts did not have nor will have any material adverse effect on our business operations and financial results, taking into account that (i) the use of such Personal Accounts had been ceased as of December 31, 2017; and (ii) the operations of all our learning centers remained normal after such cessation; and (iii) all the payments paid into the Personal Account during the Track Record Period have been received by our Group.

Ownership of the Funds in the Personal Accounts

Each of the holders of the Personal Accounts has executed a written confirmation in November 2018 to retrospectively confirm that each of them had held the funds in their respective Personal Accounts on behalf and for the benefit of our Group during the Track Record Period and had never used such funds for their personal benefit. Based on the abovementioned written confirmations, our Directors are of the view that our Group is the legal owner of such funds and have the right to own and use the funds in the Personal Accounts.

Our PRC Legal Advisor has advised us that we are the legal owner of such funds and have the right to own and use the funds in the Personal Accounts.

Internal Controls over the Use of Personal Accounts

The nine account holders of the Personal Accounts included two of our Directors (being Mr. Chen Qiyuan and Mr. Chen Hongyu) and seven of Mr. Chen Qiyuan's family members (some of whom are also our employees), whose identities and background were familiar to us. During our adoption of the Arrangements, we had adopted internal control measures with a view to ensuring we could maintain appropriate control over the operations and the ownership of funds in the Personal Accounts. In particular, our internal control measures mandated that all banking information and materials that were used to operate the Personal Accounts, including the relevant bank cards, passbooks, cheque books, banking passwords (including online banking and ATM) and/or USB keys, as applicable, were retained and maintained by us, ensuring that the Personal Accounts could only be operated on our instructions. Our internal control measures also mandated us to set and maintain the relevant banking passwords to ensure restricted access to the operations of the Personal Accounts. Our internal control measures mandated us to monitor the activities of the Personal Accounts frequently with a view to ensuring the access was authorized and the transactions were executed according to our instructions. All holders of the Personal Accounts were required to enter into written agreements with our Group, confirming that (i) our Group is the true beneficial owner of the funds deposited into the Personal Accounts, and the funds should be used solely for the purposes of our Group; (ii) all rights and obligations associated with the Personal Accounts should be solely owned by our Group; and (iii) the holders of the Personal Accounts were not allowed to use, transfer or embezzle the funds in such accounts. In addition, our internal control measures mandated us to designate accounting personnel to be responsible for monitoring and keeping record of the fund flows on the Personal Accounts on a daily basis and making appropriate accounting entries. Our accounting manager was responsible for reviewing and approving the accounting entries as well as the month-end reconciliation and checking. Such accounting and record keeping procedures in respect of the Personal Accounts were implemented in the same way as that for the corporate accounts of our Group. Our Directors were satisfied with the level of control we had over the Personal Accounts and have confirmed that, to the best of their knowledge, we had not been subject to any material internal control failures or misappropriation of funds with respect to the Arrangements. Our internal control measures did not mandate a specific frequency as to how often the funds would have to be transferred from the Personal Accounts to our corporate accounts. However, during the relevant period, we generally managed to maintain a relatively low level of month-end bank balance for each of the Personal Accounts, which we believe could also mitigate the risk and impact of misappropriation. For the years ended December 31, 2016 and 2017, the month-end bank balance for each of the Personal Accounts ranged from RMB0.7 million to RMB9.5 million and nil to RMB1.5 million, respectively. The number of Personal Accounts (i.e. 23) also enabled us to manage the funds in such a manner to prevent fund over-concentration at any particular account.

No Tax Evasion on Violation of PRC Tax Laws and Regulations

As confirmed by our PRC Legal Advisor, we have obtained tax compliance certificates from the local tax authorities for the three PRC Operating Entities that were involved in the Arrangements, confirming that such entities are not in violation of PRC laws and regulations in relation to tax in material aspects, and have not been imposed any penalties during the Track Record Period. As advised by our PRC Legal Advisor, such local tax authorities are the competent government authorities to issue such confirmation. Our Directors confirmed that we had also transferred all balances in the Personal Accounts to our corporate accounts. Our PRC Legal Advisor is of the view that, based on the above facts and the tax compliance certificates from the relevant competent tax authorities, it is unlikely that the Arrangements would be regarded as involving any tax evasion by our Group.

Legal Implications of the Arrangements

As advised by our PRC Legal Advisor, according to the Measures for the Administration of RMB Bank Settlement Accounts (人民幣銀行結算賬戶管理辦法), if an entity settles its corporate funds through a personal bank account, a warning or fine ranging between RMB5,000 to RMB30,000 will be imposed upon such entity.

Our Directors have confirmed that the use of Personal Accounts and the parties concerned did not involve any illegal income. Our Directors have also confirmed that, as of the Latest Practicable Date, no fine or other penalties had been imposed by the relevant government authorities with respect to the Arrangements. For details of risks associated with the Arrangements, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We used personal bank accounts for the settlement of corporate funds, which may subject us to penalties" in this prospectus. Our PRC Legal Advisor has advised us that, we may be subject to a maximum aggregate penalty of RMB30,000 in respect of the Arrangements according to the measures for Administration of RMB Bank Settlement Accounts (《人民幣銀行結算賬戶管理辦法》), however, given the use of Personal Accounts had ceased and no warning nor penalties were imposed upon us during the Track Record Period, the legal risks that we will be imposed any fines or penalties by the relevant government authorities in the future with respect to the Arrangements are low. Based on the fact that we had ceased the use of all Personal Accounts and taking into account of our PRC Legal Advisor's opinions, our Directors are of the view that the use of Personal Accounts did not have and will not have a material adverse effect on our business operations or financial condition as a whole.

Internal Control Measures regarding the Use of Personal Accounts

To prevent future recurrence of the use of Personal Accounts for settlement of corporate funds, we have enhanced our internal control measures as follows:

(i) we have enhanced our policies on bank account management as well as receipt and payment of funds to require that all payments must be made through our corporate accounts and no Personal Accounts may be opened or used. Such policies remained effective as of the Latest Practicable Date, and all relevant finance and business personnel of our Group have been notified; and

(ii) the finance manager of our Group, shall closely monitor all members of our Group to ensure that no Personal Account is opened or used by any member of our Group by (1) checking all accounting records to detect whether any Personal Account is involved in the receipt or payment of funds, and (2) reviewing all bank statements of the corporate accounts of our Group to detect any abnormal or unauthorized transfer of funds. In case of any indication of use of Personal Accounts for the receipt or payment of funds by any member of our Group, the finance manager of our Group must be alerted immediately.

Our Directors confirmed that, as of December 31, 2017, we had ceased the practice of using personal bank accounts for our corporate transactions. With the advancement and popularity in payment technology in recent years, our Directors consider that there is no longer any significant administrative advantage of using personal bank accounts to settle our corporate transactions. Our learning centers primarily receive fees through payment methods such as WeChat payments and bank transfers, which are directly linked to our corporate bank accounts. In addition, there is no longer the need to use personal accounts for the deposit of cash received by our learning centres, as nowadays retail banks enable cash deposits to be made into corporate accounts through ATM at any time of the day. We have designated finance personnel responsible for reconciling our payment collection information and our corporate bank account transactions on a daily basis.

We have implemented a treasury policy that prohibits the use of personal bank accounts for our corporate transactions. Any opening of bank account for our corporate transactions is required to be approved by our designated personnel with a view to ensuring we control and monitor all the bank account (in particular, the type of bank account) that are used for our corporate transactions.

In preparation for the Listing, we engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in 2018 (the "**Internal Control Review**"). The scope of the Internal

Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases and payables, fixed assets, treasury, financial reporting, payroll and general controls of information technology.

In particular, the Internal Control Consultant had performed review over our internal controls that were implemented by our management to prevent the future use of personal bank accounts for our corporate transactions. The Internal Control Consultant performed the follow-up reviews in October 2018 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow up Review. The Internal Controls Review and the Follow-up Review were conducted based on information provided by us and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Based on the above, our Directors are of the view that our enhanced internal control measures as discussed above to prevent the future use of personal bank accounts for our corporate transactions is adequate and effective. Based on the discussion with the Internal Control Consultant on the work done in the Internal Control Review and Follow-up Review, nothing has come to the Sole Sponsor's attention that would lead it to cast doubts on the views of the Directors above. Meanwhile, our Controlling Shareholders have agreed to indemnify our Group pursuant to the Deed of Indemnity against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group arising from the Arrangements disclosed above.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have established a department responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees, including teachers and personnel performing other functions. We require all of our staff members to observe anti-bribery and anti-corruption measures and those who are found to have violated such internal rules and policies as well as the applicable laws and regulations may be dismissed unconditionally. After the Listing, our management will be responsible for conducting a fraud and bribery risk assessment on an annual basis and our Audit Committee will review and approve our annual risk assessment results and policies. Certain forbidden conducts are expressly forbidden by our internal anti-bribery and anti-corruption policies, such as obtaining economic and other advantages for oneself or others while performing one's duty and embezzling properties or assets of our Company. We plan to offer training courses to our existing and new employees to enhance their knowledge and awareness of the relevant rules and regulations, as well as their own personal and professional conduct.

Risk Management

We are exposed to various risks in the operation of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of K-12 after-school education services, changes in the regulatory environment in the K-12 after-school education service industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion into other regions in China, availability of financing to fund our expansion and business operations and competition from other service providers that offer similar or higher quality of K-12 after-school education and have similar scale. See "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, see "Financial Information — Qualitative and Quantitative 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 schools, and is in charge of managing the overall risks of our Company. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition fees, and to enter into cooperative business relationships with third parties to establish new learning centers and/or new programs;

- We maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance; and

- We have made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

- We have also implemented a set of internal control and risk management measures to manage our risks related to investments in wealth management products. Our policy is to invest in low-risk wealth management products and generate income without interfering with our business operation or capital expenditures. To control our risks, we typically invest in low-risk, short-term (maturity period generally not more than one year) and principal-protected wealth management products, such as (i) money market instruments including certified deposits and currency funds; and (ii) debt instruments including sovereign debt, central bank-issued debts and various debt funds. We do not invest in equity securities or any wealth management products backed by unsecured debt securities. For investments within our pre-determined limit, our Board of Directors has authorized the chairman of our Board to make investment decisions and sign contracts. Our finance department is in charge of our wealth management activities. Where necessary, we will engage external experts to research and assess investment products and prepare research reports. Before our finance department implements an investment decision, approval by our chairman is required and all relevant investment contracts must be signed by our chairman. Our finance department tracks the underlying investments of our wealth management products, and analyzes their performance and progress. If such analysis reveals any risks for our wealth management products, we shall take action immediately to manage our investment risks. Our internal auditing team, independent directors and supervising board have the right to monitor and review our investment and to engage professional agencies to review and audit if they deem necessary. Our finance department reviews our cash position, operating cash requirements and potential investment opportunities every month with the assistance of our accounting and finance personnel, and submit a monthly investment plan and cash budget, which shall include (i) a suggested scope of the following month's investment targets based on our business and investment policies, and (ii) maximum balance of financial assets during the month and amount that may be used for investment as well as investment period. This monthly investment plan shall be submitted to the chief financial officer and chairman of the board for approval, and shall be submitted to the Board for approval when necessary. Our chief financial officer and chairman of the board review and approve such monthly investment plan and cash budget every month, taking into account whether there will be any negative impact on our Group's cash position and operating cash requirements. Our finance department personnel strictly follow the monthly investment plan to execute investment and redemption decisions.

CONTROLLING SHAREHOLDERS

Mr. Chen Qiyuan, Sky Noon and Magnificent Industrial entered into a concert party agreement on January 13, 2019 to confirm that they have acted in concert in the control, management and operation of our Group since they became interested in and possessed voting rights, whether directly or indirectly, in our Company and will continue to act in concert until the termination of the concert party agreement. As at the Latest Practicable Date, Sky Noon (ultimately controlled by Mr. Chen Qiyuan through Yu Xi International) and Magnificent Industrial held an aggregate of 81.73% of the total issued share capital of our Company. Immediately after completion of the Capitalization Issue and the Global Offering, Sky Noon (ultimately controlled by Mr. Chen Qiyuan through Yu Xi International) and Magnificent Industrial will directly hold approximately 63.36% in aggregate of the issued share capital 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). Accordingly, Mr. Chen Qiyuan, through Yu Xi International, will control approximately 38.52% of the issued share capital 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). Therefore, Mr. Chen Qiyuan, Yu Xi International, Sky Noon and Magnificent Industrial are considered as a group of our Controlling Shareholders.

As at the Latest Practicable Date, Magnificent Industrial was owned as to 25.1140% by Mr. Chen Hongyu, 9.0693% by Mr. Qi Mingzhi, 9.9009% by Mr. Xu Chaoqiang, 1.3319% by Mr. Hua Ribao, 9.1881% by Mr. He Fan, 9.0693% by Ms. Li Ailing, 2.2376% by Mr. Li Yong, 8.9505% by Mr. Zou Bangxin, 4.4752% by Mr. Zhu Lixun, 9.4752% by Ms. Zhu Mingxia, 2.2376% by Ms. Leng Xinlan, 2.2376% by Mr. Cheng Zai, 2.2376% by Ms. Liang Renhong and 4.4752% by Ms. Pan Danting.

Our Group is currently engaged in the business of providing after-school tutoring services. Each of our Controlling Shareholders confirms that, as at the Latest Practicable Date, it/he did not have any interest in any other companies that compete directly or indirectly with our Group.

NON-COMPETITION UNDERTAKING OF OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-competition on June 3, 2019 in favor 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 its/his relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favorable 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 no more 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 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 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 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.

INDEPENDENCE FROM OUR 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 four executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Chen Qiyuan, is an executive Director and one of our Controlling Shareholders.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently, namely our senior management members as disclosed in the section headed "Directors and Senior Management — Senior management " in this prospectus.

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 believe that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates upon Listing for the following reasons:

(i) we hold or enjoy the benefit of all relevant licenses necessary to operate our business;

(ii) we have independent student bases and an independent management team to engage in our business;

(iii) we can make decisions and carry out our own business operations independently;

(iv) we have our own organizational structure and departments independent from our Controlling Shareholders;

(v) we have established a set of internal control procedures to facilitate the effective operation of our business;

(vi) we own or have the right to use all the operational facilities relating to our business; and

(vii) we have sufficient capital, facilities and employees to operate our business independently.

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 obtained certain banking facilities where Mr. Chen Qiyuan, one of our Controlling Shareholders, provided personal guarantees. All such personal guarantees are expected to be released before 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 further 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 Other Directors

Each Director 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 Director 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.

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'000) for the year ending December 31, 2019	2020	2021
Non-exempt continuing connected transactions						
1	Printing Service Agreement	14A.34, 14A.52, 14A.53, 14A.76	Announcement	9,400	12,220	15,880
2	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders' approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Non-exempt Continuing Connected Transactions

(1) *Printing Service Agreement*

Pursuant to the master printing service agreement (the "Printing Service Agreement") dated June 1, 2019 entered into by Shenzhen Scholar with Shenzhen Zhengxin Tuwen Advertising Company Limited* (深圳市正信圖文廣告有限公司) and Shenzhen Hengchuangxin Industry and Technology Company Limited* (深圳市恒創鑫實業科技有限公司) (the "Relevant Entities"), each of the Relevant Entities has agreed to provide printing services in respect of the teaching, advertising and marketing materials and other printing services of our Group. The service fees for the Printing Service Agreement shall be agreed by Shenzhen Scholar and each of the Relevant Entities under the individual printing agreements, after arm's length negotiation between the parties, and determined in accordance with (a) the volume and timing required for the printing services; (b) the printing costs (including labor costs, material costs and administrative costs); and (c) the prevailing market rate of similar printing services provided by other printing companies which are Independent Third Parties. The term of the Printing Service Agreements is from the date of agreement to December 31, 2021, and renewable unless terminated by either party by serving written notice to the other party within 30 days prior to the expiration of the Printing Service Agreement (subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions).

Our Directors are of the view that the transactions contemplated under the Printing Service Agreement are on normal commercial terms or terms more favorable to our Group.

Listing Rules Implications

Mr. Chen Qiyuan is a Director and a Controlling Shareholder upon the Listing, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Each of the Relevant Entities is beneficially owned by Mr. Chen Qiyuan's brother-in-law, and thus our Company considers it appropriate to treat each of them as a connected person of our Company.

Since the Printing Service Agreement as set out above is entered into by our Group on the one hand, and the Relevant Entities beneficially controlled by Mr. Chen Qiyuan's brother-in-law on the other hand, we consider it appropriate to aggregate the service fees under the Printing Service Agreement to calculate the applicable percentage ratios under Chapter 14A of the Listing Rules.

Based on the current service fees payable by our Group as aggregated and the proposed annual cap under the Printing Service Agreement, we expect that each of the applicable percentage ratios (being the assets ratio, revenue ratio and consideration ratio) for the Printing Service Agreement calculated in accordance with Rule 14A.77 of the Listing Rules will be more than 0.1% but less than 5% and thus the transactions contemplated under the Printing Service Agreement as aggregated constitute continuing connected transactions of our Company which are exempt from the circular (including independent financial advice) and shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Historical amount

Historically, the service fees charged by the Relevant Entities to our Group for the years ended December 31, 2016, 2017 and 2018 amounted to approximately nil, RMB3.2 million and RMB8.6 million, respectively.

Basis of the annual cap

The annual cap is estimated based on the service fees payable as determined with reference to (i) the historical transaction amounts with the Relevant Entities; (ii) the estimated annual growth of our business for the period from 2019 to 2021; (iii) the prevailing market rate of similar printing services provided by other independent printing companies; and (iv) the estimated increase in the volume required for the printing service and the printing costs (including labour costs, material costs and administrative costs) with reference to the historical amount for such printing services for the two years ended 31 December 2018. Comparing with the same period of 2017, the volume required for the printing services and the printing costs were increased for approximately 40% and 10%, respectively, in 2018. As such, the annual cap for the Printing Service Agreement for each of the years ending December 31, 2019, 2020 and 2021 is expected to be RMB9,400,000, RMB12,220,000 and RMB15,880,000, respectively.

Application for waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Printing Service Agreement, provided that the total value of transactions under the Printing Service Agreement for each of the three years ending December 31, 2019, 2020 and 2021 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when the Printing Service Agreement is renewed or when there is a material change to the terms of the Printing Service Agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirement under the Listing Rules.

Views of the Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view, and based on the information provided by our Group and the representations and confirmations from our Company and our Directors, the Sole Sponsor is also of the view, that (i) the transactions contemplated under the Printing Service Agreement have been and will be entered into in the ordinary and usual course of the Group's business, on normal terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Printing Service Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

(2) *Structured Contracts*

As disclosed in the paragraph headed "Structured Contracts — Background of the Structured Contracts" in this prospectus, there is uncertainty in practice as to (i) whether foreign investors are permitted to invest in tutoring business in the PRC; (ii) if foreign investment is permitted, whether tutoring business invested by foreign investors must comply with the Sino-Foreign Regulations and its implementation measures; and (iii) if Sino-Foreign Regulations are applicable, what specific criteria must be met by a foreign investor to meet the Qualification Requirement. Moreover, based on our interviews with relevant competent education authorities, it is not practicable to convert our PRC Operating Entities into Sino-Foreign Joint Ventures. As a result, our Group, through our wholly-owned subsidiary, Shenzhen Fengye, our PRC Operating Entities and the Registered Shareholders have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Entities while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Entities, and to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Entities after the Listing through Shenzhen Fengye. As we operate our K-12 after-school tutoring business through our PRC Operating Entities and we do not hold any direct interest in our PRC Operating Entities, the Structured Contracts were entered into on January 13, 2019, pursuant to which all material business activities of our PRC Operating Entities are instructed and supervised by our Group, through Shenzhen Fengye, and all economic benefits arising from such business of the our PRC Operating Entities are transferred to our Group.

The Structured Contracts consist of a series of agreements, including the Exclusive Corporate Operation and Business Process Consultancy Service Agreement, the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Shareholders' Voting Rights Entrustment Agreement, the Equity Pledge Agreement and the Spouse Undertaking, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this prospectus for details of these agreements.

Listing Rules Implications

The table below sets forth the connected person of our Company involved in the Structured Contracts and the nature of his connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Chen Qiyuan . .	Mr. Chen Qiyuan is a Director and a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Chen Hongyu . .	Mr. Cheng Hongyu is a Director and a substantial Shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Xuanyang Investment	Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Operating Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our PRC Operating Entities' interest at the lowest possible amount permissible under the applicable PRC laws and regulations; (ii) the business structure under which the net profit generated by our PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Shenzhen Fengye by our PRC Operating Entities under the Exclusive Corporate Operation and Business Process Consultancy Service Agreement and the Exclusive Technical Service Agreement; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Operating Entities.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced, upon the expiration of the existing arrangements, or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Operating Entities has been substantially retained by our Group; (ii) no dividends or other distributions have been made by our PRC Operating Entities to the holders of its interest which are not otherwise subsequently assigned or transferred to our Group; and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Operating Entities to the holders of its interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating 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 Operating Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst Our PRC Operating Entities and Our Company

Given that the financial results of our PRC Operating Entities will be consolidated into our financial results of our Group and the relationship between our PRC Operating Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Operating Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view, and based on the information provided by our Group and the representations and confirmations from our Company and our Directors, the Sole Sponsor is also of the view, that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Operating Entities can be effectively controlled by Shenzhen Fengye or its designee, (ii) Shenzhen Fengye or its designee can obtain the economic benefits derived from the PRC Operating Entities, and (iii) any possible leakages of assets and values of the PRC Operating 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 of the Latest Practicable Date, it consisted of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets forth certain information regarding the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Chen Qiyuan (陳啟遠)	36	January 4, 2012	February 7, 2018	Chairman of our Board and executive Director	Overall formulation, guidance of business strategy and development	Brother-in-law of Mr. Chen Hongyu and cousin of Mr. Xu Chaoqiang
Mr. Chen Hongyu (陳弘宇)	33	January 4, 2012	April 16, 2018	Executive Director	Overall administration and management	Brother-in-law of Mr. Chen Qiyuan
Mr. Qi Mingzhi (齊明智)	34	June 19, 2012	April 16, 2018	Executive Director and chief executive officer	Overall operation and management	N/A
Mr. Xu Chaoqiang (許超強)	40	January 4, 2012	April 16, 2018	Executive Director	Overall operation and daily management of our learning centers in Yanlong District, Shenzhen	Cousin of Mr. Chen Qiyuan
Mr. Shen Jing Wu (沈敬武)	49	April 16, 2018	April 16, 2018	Vice chairman of our Board and non-executive Director	Providing advice on business strategy and development	N/A
Mr. Huang Victor (黃偉德)	48	December 20, 2018	Date of registration of this prospectus[(Note)]	Independent non-executive Director	Providing independent opinion and judgment to our Board	N/A
Dr. Liu Jianhua (柳建華)	38	December 20, 2018	Date of registration of this prospectus[(Note)]	Independent non-executive Director	Providing independent opinion and judgment to our Board	N/A
Mr. Yang Xuezhi (楊學枝)	71	December 20, 2018	Date of registration of this prospectus[(Note)]	Independent non-executive Director	Providing independent opinion and judgment to our Board	N/A

Note: The appointment of each of Mr. Huang Victor, Dr. Liu Jianhua and Mr. Yang Xuezhi will take effect from the date of registration of this prospectus, being June 11, 2019.

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment for current position	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. He Fan (何凡) .	33	April 1, 2012	December 8, 2018	General manager of learning centers in Foshan	Management of all learning centers in Foshan	N/A
Ms. Li Ailing (李愛玲)	36	July 11, 2013	December 8, 2018	Vice general manager and director of education	Overall development of the education programmes	N/A
Mr. So Wai Hang (蘇偉恒)	39	January 1, 2019	January 1, 2019	Chief financial officer and company secretary	Financial management, investor relation and company secretarial matters	N/A
Mr. Hua Ribao (花日寶)	41	November 3, 2016	January 4, 2017	Financial controller	Financial management	N/A

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Qiyuan (陳啟遠), aged 36, founder of our Group, was appointed as a Director on February 7, 2018 and the chairman of our Board on April 16, 2018, respectively. He was re-designated as an executive Director on December 20, 2018. He is responsible for the overall formulation, guidance of business strategy and development of our Group.

Mr. Chen has over eight years of experience in tutoring business. From 2008 to 2012, Mr. Chen had been in preparation for the establishment of our Group. He has been the general manager of Shenzhen Scholar since 2012. Prior to founding our Group, he worked at Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from December 2005 to July 2008.

Mr. Chen graduated from Shaoyang University (邵陽學院) in Shaoyang, Hunan province, the PRC in June 2006 with a bachelor's degree of science. He has been studying for a master of business administration at Peking University Shenzhen Graduate School since September 2017.

Mr. Chen obtained the qualification of a middle school senior teacher granted by Shaoyang Department of Education in July 2006. He was awarded the "Outstanding Person in Private Education in 2015" (2015民辦教育風雲人物) by Southern Metropolis Daily (南方都市報). He also completed the Hong Kong Youth Leadership National Studies Workshop organized by the Chinese

Academy of Governance in December 2018. Further, he completed the Oxford-Visiting Study Programme organized by the Mansfield College, University of Oxford as a visiting scholar from Peking University HSBC Business School in March 2018. He currently serves as the deputy chairman of the Guangdong Elementary Mathematical Society.

Mr. Chen Hongyu (陳弘宇), aged 33, joined our Group in January 2012, was appointed as a Director on April 16, 2018 and re-designated as an executive Director on December 20, 2018. He is also a vice general manager of our Group since December 8, 2018. Mr. Chen is responsible for the overall administration and management of our Group.

Mr. Chen has over 13 years of experience in tutoring business. Prior to joining our Group, he was the market director of Zhangjiang Zhiyuan Cultural Training Center* (湛江市志遠文化培訓中心) from October 2005 to January 2012. He joined Shenzhen Scholar as the vice general manager in January 2012. Since March 2014, he became the chief of Shenzhen Nanshan Houhai learning center of Shenzhen Scholar. He was also the head of high school division since September 2014. He was promoted to be the vice general manager of the Shenzhen Scholar group in December 2017.

Mr. Chen graduated from Hunan Agricultural University (湖南農業大學) in Changsha, Hunan province, the PRC in June 2015 with a bachelor's degree of administration.

Mr. Qi Mingzhi (齊明智), aged 34, joined our Group in June 2012, was appointed as a Director and chief executive officer on April 16, 2018 and December 8, 2018 respectively. He was re-designated as an executive Director on December 20, 2018. Mr. Qi is responsible for the overall operation and management of our Group.

Mr. Qi has over six years of experience in tutoring business. He was the subject co-ordinator of science of Shenzhen Scholar since September 2012 and was promoted to the head of teaching and education in April 2013. In September 2014, he became the deputy chief of Scholar Center and also the chief of Shenzhen Cuizhu learning center. He was further promoted to serve as the deputy chief operating officer of the Shenzhen Scholar and the principal of the middle school division of Shenzhen Scholar in July 2015. He has been serving as the chief operating officer and the executive general manager of Shenzhen Scholar since September 2016.

Prior to joining our Group, he worked in Shenzhen Bond Cultural Development Co. Ltd* (深圳市邦德文化發展有限公司) from June 2008 to November 2008. He then worked in Shenzhen Shenxin Clubhouse Management Co., Ltd* (深圳市深信會所管理有限公司) from June 2009 to May 2012.

He graduated in chemistry from Anhui Normal University (安徽師範大學) in Wuhu, Anhui province, the PRC in July 2008. He obtained the middle school senior teacher's qualification certificate in June 2008 from Wuhu Department of Education.

Mr. Xu Chaoqiang (許超強), aged 40, joined our group in January 2012, was appointed as a Director on April 16, 2018 and re-designated as an executive Director on December 20, 2018. He is also the principal of learning centers in Yanlong district, Shenzhen and a vice general manager of our Group. Mr. Xu is responsible for the overall and daily management of learning centers in Yanlong district, Shenzhen of our Group.

Mr. Xu has over six years of experience in tutoring business. He joined Shenzhen Scholar as the vice general manager in January 2012. He then became the principal of learning centers in Fulong district, Shenzhen in January 2016. He was redesignated and promoted to be the principal of learning centers in Futian district, Shenzhen in January 2017 and become a vice general manager of the Shenzhen Scholar group in December 2017.

Mr. Xu graduated from the high school division of Putian Xitianwei Secondary School* (莆田西天尾中學), currently known as Putian No.15 Secondary School in Putian, Fujian province, the PRC in July 1998. He then studied machine automation management in Sanming Vocational Training College* (三明職業大學), currently known as Sanming University (三明學院) in Sanming, Fujian province, the PRC from September 1998 to July 2001.

Non-executive Director

Mr. Shen Jing Wu (沈敬武), aged 49, joined our Group in April 2018, was appointed as a Director and the vice chairman of our Board on April 16, 2018 and re-designated as a non-executive Director on December 20, 2018. Mr. Shen is responsible for providing advice on business strategy and development to our Group.

Mr. Shen has a wealth of experience in management and investment. He is the chief executive officer of CRE Alliance (Hong Kong) Company Limited since July 2017. Mr. Shen joined HPEF Capital Partners Limited (formerly known as HSBC Private Equity (Asia) Limited and Headland Capital Partners Limited) in January 2005. He was then promoted to the Head of the Greater China investment team in 2006 and left the company in June 2016 with his last position as Senior Partner, Head of Greater China. Prior to that, he worked at a company focusing on venture capital investments. From 1998 to 2002, he worked at Shanghai Industrial Holdings Limited, managing the company's venture capital investments. He also worked at Bain & Company in Hong Kong from January 1993 to June 1995, Boston, the United States from July 1995 to August 1995 and San Francisco, the United States from August 1997 to August 1998 with his last position as consultant.

Mr. Shen received a bachelor's degree of science in economics from the Wharton School, University of Pennsylvania, graduating summa cum laude in May 1992 and a master of business administration from Stanford University in June 1997.

Independent non-executive Directors

Mr. Huang Victor (黃偉德), aged 48, was appointed as an independent non-executive Director with effect from the date of registration of this prospectus.

Mr. Huang has over 25 years of experience in professional accounting, capital market and merger and acquisition. Mr. Huang joined PricewaterhouseCoopers Hong Kong in January 1993 and admitted to partnership in July 2005. He left PricewaterhouseCoopers Hong Kong in July 2014. From July 2014 to August 2017, he was a partner of KPMG in Hong Kong.

Mr. Huang is currently an independent non-executive director of Laobaixing Pharmacy Chain Joint Stock Company (stock code: 603883.SH), a company listed on the Shanghai Stock Exchange and Trinity Limited (Stock code: 891), a company listed on the Stock Exchange. He is also an independent non-executive director of Qingdao Haier Biomedical Co., Ltd, which has filed its listing application to the Stock Exchange.

Mr. Huang is a member of the Hong Kong Institute of Certified Public Accountants. He is also a Certified Independent Non-executive Director by the Shanghai Stock Exchange.

Mr. Huang received a bachelor's degree of arts from the University of California, Los Angeles in September 1992.

Dr. Liu Jianhua (柳建華), aged 38, was appointed as an independent non-executive Director with effect from the date of registration of this prospectus. He is responsible for providing independent opinion and judgment to our Board.

Dr. Liu has over 10 years of experience in the education industry. Dr. Liu has been a postgraduate mentor of the department of finance of Sun Yat-sen University since June 2013. He has also become an associate professor and the deputy chief of the department of finance of Lingnan College of Sun Yat-sen University since June and October 2016 respectively. He was selected by the ministry of finance of the PRC as one of the national accounting leading (back-up) talents (academics)* (全國會計領軍(後備)人才(學術類)) in 2013.

Dr. Liu also has two years of experience in professional accounting in relation to listed companies. Dr. Liu is currently the independent non-executive director of Guangzhou Great Power Energy & Technology Company Limited, which is listed on the ChiNext board of the Shenzhen Stock Exchange (stock code: 300438). He is also an independent non-executive director of (i) Guangdong Q-Dazzle Technology Company Limited, which has filed its listing application to the Shanghai Stock Exchange; and (ii) Guangzhou Ruoyuchen Technology Company Limited, which was delisted from the National Equities Exchange and Quotation in October 2017 and has filed its listing application to the Shenzhen Stock Exchange.

Dr. Liu graduated from Sun Yat-sen University, Guangzhou province, the PRC in June 2008 with a doctorate degree of management. He was awarded the title of postdoctoral fellow of excellence from Sun Yat-sen University in January 2010.

Mr. Yang Xuezhi (楊學枝), aged 71, was appointed as an independent non-executive Director with effect from the date of registration of this prospectus. He is responsible for providing independent opinion and judgment to our Board.

Mr. Yang has over 48 years of experience in the education industry. From August 1970 to November 2007, he worked in Fuzhou No. 24 Middle School with this last position as the vice principal. He was a director of mathematics teaching committee of Fujian province* (福建省教育學會數學教學委員會) in 2004.

Mr. Yang was also the editor and author of different publications in relations to mathematics, including but not limited to "Chinese research on elementary mathematics* (《中國初等數學研究》)" the first series of which was published in 2009, "Inequality research 1 and 2* (《不等式研究》第一輯和第二輯)" which were published in June 2000 and January 2012 respectively and "Mathematics Olympiad Inequality research* (《數學奧林匹克不等式研究》)" which was published in August 2009.

Mr. Yang graduated from Wuhan University, Hubei province, the PRC with a bachelor's degree of mathematics in July 1970. He obtained the qualification of a middle school senior teacher in August 1996 from the Fuzhou municipal education bureau and the qualification of a special grade teacher in September 2002 from the people's government of Fujian province, the PRC.

SENIOR MANAGEMENT

Mr. He Fan (何凡), aged 33, joined our Group in April 2012, and was appointed as the general manager of learning centers in Foshan of our Group on December 8, 2018. He is responsible for the management of all learning centers in Foshan.

Mr. He has over six years of experience in tutoring business. He worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from June 2008 to December 2008. He worked in Shenzhen Shenxin Clubhouse Management Co., Ltd* (深圳市深信會所管理有限公司) from June 2009 to March 2012.

Mr. He then joined Shenzhen Scholar in its start-up period with Mr. Chen Qiyuan in April 2012. He was the principal of learning centers in Shenzhen Yanlong District and became the principal of Foshan city of Shenzhen Scholar in October 2017.

Mr. He graduated in computer science and technology from the Anhui Science and Technology University in Chuzhou, Anhui province, the PRC in July 2007.

Ms. Li Ailing (李愛玲), aged 36, joined our Group in July 2013, and was appointed as a vice general manager and the director of education of our Group on December 8, 2018. She is responsible for the overall development of the education programmes of our Group.

She has over 11 years of experience in tutoring business. Prior to joining our Company, Ms. Li worked in Shenzhen Bond Cultural Development Co., Ltd* (深圳市邦德文化發展有限公司) from January 2007 to June 2013.

She graduated from the Harbin University of Science and Technology (哈爾濱理工大學), Harbin, Heilongjiang province, the PRC in July 2006 with a bachelor's degree of engineering.

Mr. So Wai Hang (蘇偉恒), aged 39, joined our Group as the chief financial officer and company secretary of our Group in January 2019. He is responsible for the financial management, investor relations and company secretarial matters of our Group.

Mr. So has over 17 years of experience in professional accounting and auditing. Prior to joining our Group, Mr. So worked for PricewaterhouseCoopers, with his last position as a senior manager, leading and managing various teams of professionals to provide audit and assurance assignments, capital market transactions and advisory projects to clients including listed companies and multinational companies.

Mr. So was a member of the Hong Kong Institute of Certified Public Accountants from January 2005 to February 2015 and was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants in March 2015. He is also a member of the Association of Chartered Certified Accountants.

Mr. So graduated from the Hong Kong Polytechnic University with a bachelor's degree of business administration in November 2001.

Mr. Hua Ribao (花日寶), aged 41, joined our Group in November 2016, and was appointed as a financial controller of our Group on January 4, 2017. He is responsible for the financial management of our Group.

He has over 17 years of experience in accounting and financial management. Prior to joining our Group, Mr. Hua served as a finance manager of Shenzhen Taiwei Footwear Limited* (深圳台威鞋業有限公司) from January 2001 to February 2007. He then served as the accountant of China Paint (Shenzhen) Limited (中華制漆(深圳)有限公司) from March 2007 to October 2008. From March 2009 to September 2010, Mr. Hua was the finance manager of Little Sheep Catering China Company Limited (Shenzhen branch) (內蒙古小肥羊餐飲連鎖有限公司深圳分公司) and was responsible for financial review.

From September 2010 to May 2012, he was the director of the finance department of Shenzhen Susaite Information Counseling Co., Ltd* (深圳蘇賽特商業數據有限公司), reviewing and auditing the financials of the company. From May 2012 to November 2013, he was the audit manager of Shenzhen Meten Education Science and Technology Co., Ltd* (深圳市美聯國際教育有限公司) formerly known as Shenzhen Yelian Business and Consultancy Co., Ltd* (深圳億聯企業管理諮詢有限公司).

From November 2013 to June 2016, he was the chief financial officer of Shenzhen Zhongjiu Education Consulting Limited* (深圳市中九教育諮詢有限公司). From June 2016 to November 2016, he worked as the chief financial officer of Shenzhen Skycrane Technology Limited* (深圳市雲中鶴科技股份有限公司).

Mr. Hua graduated from Xi'an Jiaotung University (西安交通大學), Xi'an, Shaanxi province, the PRC in July 2011 through online course with a bachelor's degree of management obtained in March 2012. He is also a member of the Chinese Institute of Certified Public Accountants. He was also awarded the certificate of Certified Internal Auditor by the China Institute of Internal Audit with the authorization from the Institute of Internal Auditors in November 2012.

Save as disclosed above, no Directors or members of our senior management held any directorship positions in any other listed public companies within the three years immediately preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPANY SECRETARY

Mr. So Wai Hang is the company secretary of our Group. His biographical details are set out in the sub-section headed "— Senior Management" above.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Huang Victor, Dr. Liu Jianhua and Mr. Yang Xuezhi. The chairman of the audit committee is Mr. Huang Victor.

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 our Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Dr. Liu Jianhua, Mr. Chen Qiyuan and Mr. Huang Victor. The chairman of the remuneration committee is Dr. Liu Jianhua.

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 our Board and to review our board diversity policy (the "Board Diversity Policy"). The nomination committee consists of three members, namely, Mr. Chen Qiyuan, Dr. Liu Jianhua and Mr. Huang Victor. The chairman of the nomination committee is Mr. Chen Qiyuan.

Strategic Development Committee

We established a strategic development committee and has adopted the terms of reference for the strategic development committee. The primary duties of the strategic development committee are to review and plan on the medium-to-long-term development strategies, plans and proposals of our Company, make recommendations to our Board and to assess and control the implementation of strategic plans. The strategic development committee consists of four members, namely, Mr. Chen Qiyuan, Mr. Shen Jing Wu, Mr. Qi Mingzhi and Mr. Yang Xuezhi. The chairman of the strategic development committee is Mr. Chen Qiyuan.

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 (the "Corporate Governance Code") and the Listing Rules.

Board Diversity

We have adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in our Board. 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, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Furthermore, our Board has a wide range of age, ranging from 33 years old to 71 years old. We also have a good mix of new and experienced Directors that all our four executive Directors joined our Group since its establishment in 2012, who have valuable knowledge and insights of our Group's business over the years, while the other four newly joined Directors are expected to bring in fresh ideas and new perspectives to our Group. After due consideration, our Board believes that based on our existing business model and meritocracy of our Directors, despite we currently have no female representation on our Board, its composition satisfies the principles under the Board Diversity Policy. Nevertheless, in recognizing the particular importance of gender diversity, our Company confirms that our nomination committee will use its best efforts, within three years from the Listing Date, to identify and recommend suitable female candidates to our Board for its consideration and the Company will use its best efforts to achieve at least 20% of female directors in our Board by the end of 2022, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidates after a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of the Company and the Shareholders as a whole when making the relevant appointments. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. In particular, one of the existing senior management of our Company is female and there are female managers in both our existing teaching team and research positions. Upon Listing, our Company will engage more resources in training these female managers with the aim of promoting them to the senior management or directorship of our Company. For example, we will provide more leadership training to them and provide support to pregnant female staff with a view to ensuring they have similar career prospects with their male counterparts.

Our Nomination Committee is responsible for ensuring the diversity of our Board. Upon Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

REMUNERATION POLICY

For each of the three years ended December 31, 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately RMB1.4 million, RMB1.1 million and RMB2.0 million, respectively.

For each of the three years ended December 31, 2018, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals excluding the Directors were RMB1.1 million, RMB1.6 million and RMB2.7 million, respectively.

During the Track Record Period, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining our 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 RMB2.3 million.

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on June 3, 2019. For further details, see "Appendix V — Statutory and General Information — F. Share Option Scheme" in this prospectus.

Save as disclosed in Note 30 to the Accountants' Report in Appendix I to this prospectus, no other payments had been made, or are payable, by any member of our 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 ADVISER

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of Guotai Junan Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

So far as is known to 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 Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		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(2)**
Sky Noon(3)	Beneficial owner	214,080,000 (L)	38.52%
Yu Xi International(3)	Interest in a controlled corporation	214,080,000 (L)	38.52%
Mr. Chen Qiyuan(4)	Interest in a controlled corporation	214,080,000 (L)	38.52%
Magnificent Industrial(5)	Beneficial owner	138,024,000 (L)	24.84%
CREG(6)	Beneficial owner	64,616,000 (L)	11.63%
CRE Alliance Fund I L.P.(6)(7)	Interest in a controlled corporation	64,616,000 (L)	11.63%
CRE Alliance (Cayman) Limited(6)	Interest in a controlled corporation	64,616,000 (L)	11.63%
CRE Alliance (BVI) Limited(6)	Interest in a controlled corporation	64,616,000 (L)	11.63%
CRE Trading (Hong Kong) Limited(6)	Interest in a controlled corporation	64,616,000 (L)	11.63%
China Resources Enterprise, Limited(6)	Interest in a controlled corporation	64,616,000 (L)	11.63%
CRE Alliance Fund I LP Limited(7)	Interest in a controlled corporation	64,616,000 (L)	11.63%
China Great Wall AMC (International) Holdings Company Limited(7)	Interest in a controlled corporation	64,616,000 (L)	11.63%

Notes:

(1) The letter "L" denotes the period's long position in the Shares.

(2) The calculation is based on the total number of 555,700,000 Shares in issue after completion of the Share Subdivision and the Capitalization Issue and immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(3) Sky Noon is owned as to 100 voting shares by Yu Xi International and 100 non-voting shares by XY JZ Holdings. Yu Xi International is wholly-owned by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder. Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested by virtue of the SFO.

(4) Mr. Chen Qiyuan is the sole shareholder of Yu Xi International, and he is therefore deemed to be interested in the Shares held by Sky Noon, through Yu Xi International, upon Listing.

(5) Magnificent Industrial is owned as to 25.1140% by Mr. Chen Hongyu, 1.3319% by Mr. Hua Ribao, 2.2376% by Mr. Li Yong, 9.1881% by Mr. He Fan, 8.9505% by Mr. Zou Bangxin, 9.0693% by Mr. Qi Mingzhi, 4.4752% by Mr. Zhu Lixun, 9.0693% by Ms. Li Ailing, 9.4752% by Ms. Zhu Mingxia, 2.2376% by Ms. Leng Xinlan, 2.2376% by Mr. Cheng Zai, 9.9009% by Mr. Xu Chaoqiang, 2.2376% by Ms. Liang Renhong and 4.4752% by Ms. Pan Danting. Mr. Chen Hongyu, Mr. Qi Mingzhi and Mr. Xu Chaoqiang are our executive Directors. Mr. Hua Ribao, Mr. He Fan and Ms. Li Ailing are our senior management members while the remaining individuals are employees of our Group.

(6) CREG is wholly owned by CRE Alliance Fund I L.P. The general partner of CRE Alliance Fund I L.P. is CRE Alliance (Cayman) Limited, which is in turn wholly owned by CRE Alliance (BVI) Limited. CRE Alliance (BVI) Limited is wholly owned by CRE Trading (Hong Kong) Limited, which is in turn wholly owned by China Resources Enterprise, Limited. China Resources Enterprise, Limited is wholly held by CRH (CRE) Limited, which is in turn wholly owned by China Resources (Holdings) Company Limited. Accordingly, each of CRE Alliance Fund I L.P., CRE Alliance (Cayman) Limited, CRE Alliance (BVI) Limited, CRE Trading (Hong Kong) Limited, China Resources Enterprise, Limited, CRH (CRE) Limited and China Resources (Holdings) Company Limited is deemed to be interested in all the Shares held by CREG upon the Listing pursuant to the SFO.

(7) CRE Alliance Fund I L.P. is interested as to 49.5% and 49.5% by CRE Alliance Fund I LP Limited and China Great Wall AMC (International) Holdings Company Limited as limited partners. As such, they are deemed to be interested in all the Shares held by CRE Alliance Fund I L.P. and its wholly-owned subsidiary, CREG upon the Listing pursuant to the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Share Subdivision, the Capitalization Issue and the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The authorized and issued share capital of our Company are as follows:

Authorized Share Capital

Shares	Description	Nominal value of each Share	Total nominal value
		(US$)	(US$)
53,831,050	As of the Latest Practicable Date	0.001	53,831.05
1,000,000,000	Immediately following the completion of the Share Subdivision, the Capitalization Issue and the Global Offering	0.001	1,000,000

Issued Share Capital

Shares	Description	Nominal value of each Share	Total nominal value
		(US$)	(US$)
53,831,050	As of the Latest Practicable Date	0.001	53,831.05

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		Total Nominal value	Approximate percentage of issued share capital
		(US$)	(%)
53,831,050	Shares in issue after the Share Subdivision	53,831.05	9.69
376,968,950	Shares to be issued under the Capitalization Issue	376,968.95	67.84
124,900,000	Shares to be issued under the Global Offering	124,900.00	22.47
555,700,000	Shares in total	555,700.00	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		Total Nominal value	Approximate percentage of issued share capital
		(US$)	(%)
53,831,050	Shares in issue after the Share Subdivision	53,831.05	9.37
376,968,950	Shares to be issued under the Capitalization Issue	376,968.95	65.62
143,635,000	Shares to be issued under the Global Offering . . .	143,635.00	25.01
574,435,000	Shares in total	574,435.00	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 18,735,000 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 Article of Association regarding alterations of share capital, see paragraph “Appendix IV — Summary of the Constitution of our 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 June 3, 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 June 3, 2019" in this prospectus.

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in "Appendix I — Accountants' Report of the Group" and "Appendix II — Unaudited Pro Forma Financial Information of the Group" to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

Among the top five K-12 after-school education service providers in Guangdong province as measured by revenue for 2018, we are the fastest-growing based on the CAGR of revenue from 2015 to 2018, according to the F&S Report. We ranked fourth in terms of revenue for 2018 among K-12 after-school education service providers in Guangdong province with a market share of approximately 0.9%, according to the F&S Report. We are also the second largest K-12 after-school education service provider in Shenzhen as measured by revenue for 2018, with a market share of approximately 2.5%, according to the F&S Report. We offer a comprehensive suite of after-school education services through our academic preparation program and early primary education program. Our academic preparation program is delivered under our "Sheng Xue" (升學) brand and offers classes to students in Grade One through Grade 12 in school academic subjects with a focus on helping students improve their school academic performance and preparing them for entrance exams for middle school, high school and universities. Our early primary education program is delivered under our "Le Xue" (樂學) brand and offers childhood education courses and hobby courses such as languages and performing arts to students from Grade One to Grade Three.

As of the Latest Practicable Date, we operated our business through a network of 61 learning centers across five cities in Guangdong and Fujian provinces. We control our learning centers through the Structured Contracts. As of December 31, 2016, 2017 and 2018, our total student enrollments were approximately 97,046, 145,833 and 241,203, respectively. For the years ended December 31, 2016, 2017 and 2018, the total tutoring hours we delivered were approximately 2,737,030, 4,616,179 and 6,346,537, respectively. As of the Latest Practicable Date, we had a total of 1,118 full-time teachers.

We derive revenue primarily from tuition fees paid by students for our tutoring services. We generally require students to pay tuition fees in advance prior to the commencement of the first tutoring session. Tuition fees are recognized after our services are rendered according to the course schedule.

We experienced significant growth during the Track Record Period. Our revenue generated from continuing operations increased from RMB170.8 million for the year ended December 31, 2016 to RMB375.8 million for the year ended December 31, 2017, and further increased to RMB493.1 million for the year ended December 31, 2018. Our gross profit increased from RMB56.3 million in 2016 to RMB123.5 million in 2017, and further increased to RMB186.7 million for the year ended December 31, 2018.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and 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 K-12 After-School Education in China

Demand for K-12 after-school education in China is driven by a number of factors, including the level of economic development, changes in demographics and favorable government policies.

According to the F&S Report, China's per capita nominal GDP has increased at a fast pace from approximately RMB47,000 in 2014 to RMB64,600 in 2018, representing a CAGR of approximately 8.3%, and is expected to reach RMB84,300 in 2023. The overall economic growth and the increase in per capita nominal GDP in China have increased the level of Chinese per capita annual expenditure of urban households on education, Chinese per capita annual expenditure on education increased at a CAGR of 9.6% from RMB624 in 2014 to RMB899 in 2018, and is expected to reach RMB1,358 in 2023, representing a CAGR of 8.6% from 2018 to 2023. Furthermore, according to the F&S Report, Chinese parents highly value their children's education, and are willing to incur significant expenditures on high-quality education. This, together with the increasing PRC urban household income and wealth, has played a significant role in the increase in the demand for private education in China.

In 2013, China began to relax its "one-child policy". Since 2016, each family is allowed to have two children. We believe in coming years this change in policy will drive the growth of K-12 student population and in turn the demand for after-school education services.

The PRC government has promulgated a number of policies and regulations to encourage and promote the development of private education by encouraging private capital to flow into the education business. Furthermore, the private education market in China is becoming more and more regulated, speeding up the consolidation of the private education industry and creating more opportunities for large educational institutions to gain more market share. Other favorable policies are likely to be introduced to further stimulate the development of the private education in China, according to Frost & Sullivan.

Tutoring Hours and Student Enrollments

Our revenue primarily consists of tuition fees from students enrolled in our courses, which are primarily driven by the increase in our total tutoring hours delivered and our total student enrollments. Our growth in student enrollments is directly affected by our ability to recruit new students and retain our current students.

Our ability to attract new students is largely dependent on our reputation and brand recognition. Besides, we have expanded our service offerings to a broader spectrum of after-school education services in various class formats since establishment to meet the diversified demands of our students. Currently, our course and service offerings cover the majority of the core subjects in China's school curriculums at each grade level of the K-12 system. We have also expanded and will continue to expand our network of learning centers and team of teaching staff to accommodate our business development. In addition, we intend to focus on increasing the productivity of our teachers in our existing learning centers so that they can deliver more tutoring hours and serve more students.

Tuition Fees

Our results of operations are also affected by the level of tuition fees we are able to charge. The tuition fees we charge are typically based on the type and the demand for our tutoring courses, the cost of our operations, the geographic markets where we operate our learning centers, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. For details of our average tuition fee per course, see "Business — Pricing Policy" in this prospectus.

Network of Our Learning Centers

Our ability to expand our network of learning centers is one of the most important factors affecting our results of operations. We have expanded our network primarily through opening new learning centers. Our learning centers grew from 28 as of December 31, 2016 to 49 as of December 31, 2017 and further grew to 54 as of December 31, 2018. As of the Latest Practicable Date, we had a total of 61 learning centers in China.

Our results of operations are affected by the utilization rates of our learning centers. Our utilization rate is calculated as the total student enrollments at each of our learning centers divided by its planned enrollment in a certain period. The planned enrollment for each of our learning center is derived by the aggregate planned number of student enrollments for the available courses. During the ramp-up period following the opening of each new learning center, it generated relatively limited revenue while the related costs, such as rental expenses and salaries and benefits, were still fixed. As a result, new learning centers usually negatively impact our gross profit margin in the first year after they are put into operation.

Ability to Control Cost of Sales and Expenses

Our profitability also depends, in part, on our ability to control our cost of sales and expenses. For the years ended December 31, 2016, 2017 and 2018, our cost of sales represented 67.0%, 67.1% and 62.1% of our total revenue from continuing operations, respectively. Our cost of sales primarily consists of employee benefit expenses and rental expenses. We value our teachers as the foundation to our sustainable success. For the years ended December 31, 2016, 2017 and 2018, our employee benefit expenses represented 66.8%, 59.2% and 61.6% of our total cost of sales from continuing operations, respectively, which is in line with the cost structure commonly adopted in the education industry, according to Frost & Sullivan. During the Track Record Period, we operated our learning centers on leased properties, and the rental expenses represented 18.7%, 22.8% and 22.7% of our total cost of sales from continuing operations for the years ended December 31, 2016, 2017 and 2018, respectively.

For the years ended December 31, 2016, 2017 and 2018, the total amount of selling expenses and administrative expenses from our operations as a percentage of our total revenue from continuing operations was 21.5%, 18.3% and 16.7%, respectively. Our ability to control our total expenses has a direct impact on our profitability.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on February 7, 2018 as an exempted company with limited liability under the laws of Cayman Islands. Our Company and its subsidiaries (together, "our Group") are principally engaged in the K-12 after school education business in the PRC.

During the Track Record Period, due to regulatory restrictions on foreign ownership in K-12 after-school education business in China, our business operations were carried out by the PRC Operating Entities. Our wholly-owned subsidiary, Shenzhen Fengye, has entered into the Structured Contracts with, among others, the PRC Operating Entities in China and their Registered Shareholders. The Structured Contracts enable Shenzhen Fengye to exercise effective control over the PRC Operating Entities and obtain substantially all of their economic interest and returns. Accordingly, we regard the PRC Operating Entities as indirect subsidiaries for the purpose of the historical financial statements. See "Structured Contracts" in this prospectus for details.

The historical financial information has been prepared in accordance with IFRSs, which comprise all standards and interpretations issued by the International Accounting Standards Board (the "IASB"). The financial information contained herein is presented in Renminbi, which is the functional currency of our Company and its subsidiaries.

Our historical financial information has been prepared based on the underlying financial statements, in which IFRS 9, Financial instruments ("IFRS 9") and IFRS 15, Revenue from contracts with customers ("IFRS 15") have been adopted using the full retrospective method and applied consistently since the beginning of, and throughout, the Track Record Period.

Given that the Track Record Period spans from January 1, 2016 to December 31, 2018, by which time IFRS 9 and IFRS 15 would be mandatorily applied, we have adopted IFRS 9 and IFRS 15 in lieu of IAS 18 Revenue ("IAS 18") and IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") in preparation of our financial statements, such that our historical financial information prepared under IFRS 9 and IFRS 15 is comparable on a period-to-period basis.

Nonetheless, we have carried out internal assessments with our best effort based on the principles set out in IAS 18 and IAS 39, and set forth below certain estimated key impact on our financial position and performance if IAS 18 and IAS 39 were adopted instead:

- Adoption of new impairment model. IFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses while it is based on as-incurred model under IAS 39. We have assessed that the adoption of these two different models would not result in significant difference on bad debt provision and the adoption of IFRS 9 would not result in significant impact on our financial position and performance as compared with IAS 39.

- Revenue recognition. The adoption of IFRS 15 resulted in reclassification in relation to advanced payments received from the customers for services that have not been transferred to the customers. Contract liabilities amounting to approximately RMB111.7 million, RMB235.9 million and RMB214.7 million as of December 31, 2016, 2017 and 2018, respectively, would have been reclassified as receipt in advance if IAS 18 has been applied throughout the Track Record Period. We consider that the aforementioned impact from the adoption of IFRS 15 did not result in significant impact on our financial position and performance as compared with IAS 18.

The adoption of IFRS 9 and IFRS 15 would not have material impact on other areas of our financial statements, and we consider that the adoption of IFRS 9 and IFRS 15 would not result in significant impact on our financial position and performance as compared with IAS 18 and IAS 39.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the Accountants' Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of our Group's activities.

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

When either party to a contract has performed, we present the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, we present the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

We generate revenue from our tutoring services, which are regarded as our performance obligations. Education service fees are received in advance prior to the beginning of each term and are recognized proportionately over the course schedule when the services are rendered. The portion of education service fees received from students but not earned is recorded as contract liabilities. Contract liabilities which will be earned within one year are reflected as current liabilities, and which will be earned beyond one year are reflected as non-current liabilities.

Research and Development Costs

Costs associated with research activities are recognized as an expense as incurred. Development cost (related to design and test of new and improved products) are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible assets;
- our Group has the ability to use or sell the intangible asset;
- our Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and

- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as expenses are not recognized as assets in a subsequent period. During the years ended December 31, 2016, 2017 and 2018, our Group did not capitalize any development costs.

Contract Assets and Liabilities

Upon entering into a contract with a customer, we obtain rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the PRC where our subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the relevant periods and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Off Setting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the relevant periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	35–57 years
Office equipment	3 years
Leasehold improvements	5 years or remaining lease term, whichever is shorter
Motor vehicles	3–5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each relevant period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other gains — net" in the consolidated statements of comprehensive income.

Intangible Assets

Computer software

Acquired computer software stated at historical cost less amortization. Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Computer software primarily includes teaching platforms and accounting software. The computer software is amortized on a straight-line basis over the estimated useful lives from two to ten years.

The teaching platforms purchased from software vendors amounting to RMB1.1 million with an indefinite license period. The estimated useful life of such platforms is ten years with maintenance and upgrades provided by the relevant vendors. Computer software with an estimated useful life of two years represents payment for upgrading the Group's accounting software, which is amounting to RMB28,500.

RESULTS OF OPERATIONS

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Continuing operations			
Revenue	170,757	375,798	493,115
Cost of sales	(114,474)	(252,310)	(306,377)
Gross profit	56,283	123,488	186,738
Selling expenses	(14,236)	(17,560)	(12,072)
Administrative expenses	(22,560)	(51,193)	(70,464)
Research and development expenses	(6,465)	(15,261)	(30,985)
Other income	100	1,560	3,541
Other gains — net	669	3,189	8,987
Operating profit	13,791	44,223	85,745
Finance costs	(655)	(2,814)	(3,186)
Profit before income tax	13,136	41,409	82,559
Income tax expense	(2,760)	(5,730)	(13,085)
Profit for the year from continuing operations	10,376	35,679	69,474
Discontinued operation			
(Loss)/profit before income tax	—	(9,518)	762
Income tax expense	—	(260)	(518)
Gains on disposal of subsidiaries after income tax	—	—	2,363
(Loss)/profit for the year from discontinued operation	—	(9,778)	2,607
Profit and total comprehensive income for the year	10,376	25,901	72,081

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Continuing Operations

Revenue

We generate revenue primarily from tuition fees we collect from our students. For the years ended December 31, 2016, 2017 and 2018, our total revenue was RMB170.8 million, RMB375.8 million and RMB493.1 million, respectively. The following table sets forth the revenue we generated from tuition fees by business line for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Academic preparation program	166,737	97.6	360,135	95.8	475,677	96.5
Early primary education program	4,020	2.4	15,663	4.2	17,438	3.5
Total	**170,757**	**100.0**	**375,798**	**100.0**	**493,115**	**100.0**

The increase in our revenue during the Track Record Period primarily reflects (i) the expansion of our learning center network; in particular, from December 31, 2016 to December 31, 2018, the total number of our learning centers increased from 28 to 54; (ii) an increase in total students enrollments in our courses; and (iii) an increase in the total tutoring hours.

The following table sets forth the student enrollments and tutoring hours delivered under our academic preparation and early primary education programs for the periods indicated based on our internal records:

	Year Ended December 31,					
	2016		2017		2018	
	Student enrollments(5)	Tutoring hours	Student enrollments(5)	Tutoring hours	Student enrollments(5)	Tutoring hours
Academic Preparation Program						
Primary school courses(1)	51,767	1,348,790	70,591	2,162,646	109,281	2,785,236
Middle school courses(2)	34,679	1,098,184	54,287	1,895,555	101,007	2,850,636
High school courses(3)	8,121	226,544	13,847	365,909	21,004	492,737
Subtotal	94,567	2,673,518	138,725	4,424,110	231,292	6,128,609
Early Primary Education Program(4)	2,479	63,512	7,108	192,069	9,911	217,928
Total	**97,046**	**2,737,030**	**145,833**	**4,616,179**	**241,203**	**6,346,537**

Notes:

(1) Our primary school courses target students in Grade One to Grade Six.

(2) Our middle school courses target students in Grade Seven to Grade Nine.

(3) Our high school courses target students in Grade 10 to Grade 12.

(4) Our early primary education program mainly targets students in Grade One to Grade Three.

(5) As our students may register for more than one term of courses or enroll in tutoring classes of more than one subject, our student enrollments represent the total number of subjects that students registered for the years ended December 31, 2016, 2017 and 2018.

(6) Information in the above table only relates to our regular courses and does not take into account, our trial courses.

We typically collect tuition fees from students in advance for the courses that they purchase and recognize tuition fee as revenue proportionally as the tutoring services are rendered. See "Business — Pricing Policy" for further details of our tuition rates.

Cost of Sales

Our cost of sales primarily consists of (i) salaries and benefits for our staff; (ii) rental expense for our learning centers; (iii) depreciation and amortization; (iv) teaching materials; (v) property management expense; (vi) maintenance expense; (vii) utilities; (viii) other taxes; and (ix) others. Our cost of sales was RMB114.5 million, RMB252.3 million and RMB306.4 million for the years ended December 31, 2016, 2017 and 2018, respectively.

Salaries and benefits consist of the salaries and benefits paid to our staff, including teachers and operating personnel, at our learning centers. Compensation of our teachers consists primarily of a base salary, teaching fees based on tutoring hours, performance-based bonuses, as well as social insurance and other benefits. For the years ended December 31, 2016, 2017 and 2018, salaries and benefits amounted to RMB76.5 million, RMB149.2 million and RMB188.9 million, respectively. Our salaries and benefits increased significantly during the Track Record Period, primarily due to increases in the number of our employees in line with the growth of our business and expansion of our learning center network. Rental expenses primarily relate to the rental fees for the premises used as our learning centers. Depreciation and amortization relate to depreciation and amortization of the equipment and renovation work at our learning centers, which are used for providing educational services. Teaching materials expenses primarily consist of costs of class materials, teaching tools and photocopying. Property management expenses primarily relate to property management fees we paid for our learning centers. Maintenance expenses primarily consist of renovation and repair expenses relating to our learning centers. Other taxes primarily include, urban construction taxes and education-related taxes and stamp duty. Others primarily include delivery expenses, low-value consumables and insurance.

The following table sets forth a breakdown of the components of our cost of sales for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Salaries and benefits	76,500	66.8	149,229	59.2	188,852	61.6
Rental expenses	21,379	18.7	57,468	22.8	69,651	22.7
Depreciation and amortization	3,977	3.5	12,725	5.0	16,919	5.5
Teaching materials	4,083	3.6	10,895	4.3	12,333	4.0
Property management expense	2,185	1.9	6,090	2.4	6,269	2.1
Maintenance expenses	1,303	1.1	1,866	0.7	3,144	1.0
Utilities	1,555	1.3	4,795	1.9	4,685	1.5
Other taxes	778	0.7	1,430	0.6	2,007	0.7
Others	2,714	2.4	7,812	3.1	2,517	0.9
Total	**114,474**	**100.0**	**252,310**	**100.0**	**306,377**	**100.0**

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, our gross profit was RMB56.3 million, RMB123.5 million and RMB186.7 million, respectively, representing gross profit margins of 33.0%, 32.9% and 37.9%, respectively. Our gross profit margin decreased from 33.0% for the year ended December 31, 2016 to 32.9% for the year ended December 31, 2017, primarily as a result of the new learning centers having commenced operations. We had opened 12, 21 and eight new learning centers during the years ended December 31, 2016, 2017 and 2018, respectively. During the ramp-up period following the opening of each new learning center, it generated relatively limited revenue while the related costs, such as rental expenses and salaries and benefits, were still fixed. Our gross profit margin increased from 32.9% for the year ended December 31, 2017 to 37.9% for the year ended December 31, 2018 primarily because (i) the learning centers we opened in 2016 and 2017 had completed their ramping-up and entered into a growth stage; and (ii) we opened relatively fewer new learning centers in 2018, that although we offer relatively more trial classes in such new centers at relatively lower tuition fees compared with that of the regular courses, the relatively lower revenue gained from new centers did not have a significant negative impact on our overall gross profit margin.

The following table sets forth our gross profit and gross profit margin for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Academic Preparation Program						
Primary school courses	29,386	37.7	58,292	36.1	84,447	40.4
Middle school courses	23,664	34.7	50,649	33.1	85,756	38.9
High school courses	3,762	18.3	15,992	35.3	18,782	41.0
Subtotal	56,812	34.1	124,932	34.7	188,984	39.7
Early Primary Education Program	(529)	(13.2)	(1,444)	(9.2)	(2,246)	(12.9)
	56,283	**33.0**	**123,488**	**32.9**	**186,738**	**37.9**

Our early primary education program recorded losses during the Track Record Period primarily because we strategically offered more discounts on tuition fees for our early primary education program to attract a broader student base for our academic preparation program, resulting in a slower growth in revenue compared with fixed expenses we incurred.

Selling Expenses

Selling expenses primarily consist of salaries and benefits for our sales and marketing personnel, advertising and exhibition expenses relating to the promotion of our brand, entertainment expenses relating to business activities, travel and transportation expenses, and others.

The table below sets forth a breakdown of our selling expenses for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Salaries and benefits	977	6.9	2,485	14.2	3,336	27.6
Advertising and exhibition expenses	12,372	86.9	12,662	72.1	6,282	52.0
Entertainment expenses	640	4.5	2,092	11.9	2,396	19.9
Travel and transportation	43	0.3	74	0.4	19	0.2
Others	204	1.4	247	1.4	39	0.3
Total	**14,236**	**100.0**	**17,560**	**100.0**	**12,072**	**100.0**

The table below sets forth a breakdown of our advertising and exhibition expenses by channel during the Track Record Period:

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Online advertising expenses	438	297	411
Offline advertising and exhibition expenses	11,934	12,365	5,871
Total	12,372	12,662	6,282

Our advertising and exhibition expenses by nature primarily consist of (i) advertising fees, mainly representing expenses we incurred for placing outdoor advertisements, advertisements on buses, the Internet, newspapers and magazines; (ii) marketing activities expenses in connection with parents seminars, talks and other offline marketing activities we held to promote our brand and services; (iii) promotion fees, consisting of sales promotion fees we used for coupons and stationeries with our logos, publicity material fees and fees in connection with promotion activities we conducted through text messages and mobile phones; and (iv) exhibition expenses, mainly consisting of the tickets and other travel expenses we incurred to take part in relevant promotion exhibitions. The table below sets forth a breakdown of our advertising and exhibition expenses by nature during the Track Record Period:

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Advertising fees	2,064	2,469	1,236
Marketing activities expenses	928	1,316	1,947
Promotion fees	8,517	5,260	3,036
Exhibition expenses	863	3,617	63
Total	12,372	12,662	6,282

Administrative Expenses

Administrative expenses primarily consist of (i) staff costs for our administrative personnel; (ii) rental expenses for premises used for administrative functions; (iii) depreciation and amortization relating to our office building and office equipment; (iv) office expenses; (v) professional service fees consisting of fees we paid to professional parties, such as audit fees; (vi) travel and transportation; (vii) bank charges; (viii) listing expenses relating to the Global Offering; and (ix) others, which primarily consists of recruitment expenses, utilities, maintenance cost and property management expenses.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Salaries and benefits	12,725	56.4	26,075	50.9	38,237	54.3
Rental expense	721	3.2	1,385	2.7	1,588	2.3
Depreciation and amortization	771	3.4	3,847	7.5	4,343	6.2
Office expenses	4,735	21.0	11,683	22.8	4,471	6.3
Professional service fees	715	3.2	1,874	3.7	897	1.3
Travel and transportation	303	1.4	909	1.8	866	1.2
Bank charges	1,000	4.4	1,734	3.4	1,844	2.6
Listing expenses	—	—	—	—	14,381	20.4
Others	1,590	7.0	3,686	7.2	3,837	5.4
Total	**22,560**	**100.0**	**51,193**	**100.0**	**70,464**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consist of salaries and benefits of our research and development personnel, depreciation and amortization, office expenses and others.

The following table sets forth a breakdown of the components of our research and development expenses for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Salaries and benefits	5,323	82.4	11,837	77.6	27,491	88.7
Depreciation and amortization	54	0.8	131	0.9	293	0.9
Office expenses	668	10.3	2,129	14.0	1,723	5.6
Teaching material	107	1.7	531	3.5	870	2.8
Travel and transportation	29	0.4	188	1.2	190	0.6
Others	284	4.4	445	2.9	418	1.4
Total	**6,465**	**100.0**	**15,261**	**100.0**	**30,985**	**100.0**

Other Income

Other income primarily consists of (i) sublease income from Shenzhen Unique. We sublease a portion of our learning centers to Shenzhen Unique at a price determined with reference to the actual rental expense we incur with a mutually agreed mark-up. We subleased a portion of our rented teaching premises to Shenzhen Unique when it commenced operations in 2017; (ii) sublease expense incurred in relation to the learning centers we sub-leased to Shenzhen Unique; (iii) finance income, which represents interest income from bank deposits; and (iv) government grants, which primarily consist of (1) government subsidy for job stability and (2) government grants relating to our "High and New Technology Enterprise Status", which we obtained in 2017 and "Headquarters Economy Fund" received in 2018.

The following table sets forth a breakdown of the components of our other income for the periods indicated:

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Sublease			
— Sublease income	—	8,303	14,482
— Sublease expense	—	(6,919)	(12,368)
Finance income	75	165	111
Government grants	25	11	1,316
Total	**100**	**1,560**	**3,541**

According to the disclosure requirement under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the operating result of the discontinued operation was presented as a single line item in the consolidated statements of comprehensive income retrospectively and the comparative figure for the year ended December 31, 2017 was restated accordingly even though the disposal took place in 2018. The amount is eliminated at the consolidation level in accordance with IFRS 10 resulting in no effect on the net profit in respect of the sublease arrangement. However, since sublease arrangement is expected to continue, it would be appropriate to present the sublease income in the continuing operations and the corresponding expenses in the discontinued operations to reflect the on-going transaction with Shenzhen Unique after the disposal of Shenzhen Unique.

Other Gains — Net

Other gains, net primarily reflect (i) fair value gains on financial assets at fair value through profit or loss; (ii) net gains or losses on disposal of property, plant and equipment; and (iii) others.

The following table sets forth a breakdown of the components of our other gains, net for the periods indicated:

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	1,086	4,230	10,516
Net gains/(losses) on disposal of property, plant and equipment	5	(372)	(1,059)
Others	(422)	(669)	(470)
Total	**669**	**3,189**	**8,987**

Finance Costs

Our finance costs primarily consist of interest expenses on bank borrowings. For the years ended December 31, 2016, 2017 and 2018, our finance costs were RMB0.7 million, RMB2.8 million and RMB3.2 million, respectively.

The following table sets forth our finance costs for the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest expenses on bank borrowings			
— Mortgage borrowings	343	1,508	1,572
— Other borrowings	312	1,306	1,614
Total	655	2,814	3,186

In September 2016, we entered into a ten-year loan facility agreement with a commercial bank, pursuant to which a loan facility of up to RMB35.9 million was made available to us. As of December 31, 2016, 2017 and 2018, the loan balance of RMB35.4 million, RMB32.6 million and RMB29.6 million was borrowed under this loan facility, respectively. The loan was used to purchase our office properties in Shenzhen and was secured by the pledge of such properties.

Other borrowings primarily represent short-term bank loans for working capital purposes.

Income Tax Expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island and accordingly is not subject to income tax from business carried in Cayman Islands.

No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies of our Group which operate in the PRC are subject to Enterprise Income Tax ("EIT") at a rate of 25% on its taxable income. According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, Shenzhen Scholar enjoyed preferential tax treatments as it obtained its qualification as a high and new technology enterprise in December 2017 and is entitled to a preferential EIT rate of 15% for three years from 2017 to 2019.

Shenzhen Scholar enjoyed preferential tax treatments as it obtained its qualification as a high and new technology enterprise in 2017 and is entitled to a preferential EIT rate of 15% for three years from 2017 to 2019. If the Shenzhen Scholar fails to continue its entitlement to preferential tax treatment, the income tax expense for the two years ended December 31, 2017 and 2018 will increase by RMB4.0 million and RMB8.3 million, respectively, and the net profit of the Group will decrease in the same amount for the two years ended December 31, 2017 and 2018.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes and there were no disputes or unresolved tax issues with the relevant tax authorities. The following table sets forth the income tax expense in the PRC appearing in our consolidated statements of profit or loss:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax			
— Current tax on profits for the year/period	4,647	12,338	18,484
Deferred income tax			
— Increase in deferred income tax	(1,887)	(6,348)	(4,881)
Income tax expense	2,760	5,990	13,603
Income tax expense is attributable to:			
— Profit from continuing operations	2,760	5,730	13,085
— Profit from discontinued operations	—	260	518
	2,760	5,990	13,603

The following table sets forth the income tax expense from our continuing operations for the periods indicated:

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax			
— Current tax on profits for the year/period	4,647	12,078	17,966
Total current tax expense	4,647	12,078	17,966
Deferred income tax			
— Increase in deferred tax assets	(1,887)	(6,348)	(4,881)
Total deferred tax benefits	(1,887)	(6,348)	(4,881)
Income tax expense	2,760	5,730	13,085

Deferred tax benefits primarily include tax losses, financial assets at fair value through profit and loss, deferred operating lease liabilities and others. Deferred tax benefits increased by RMB4.5 million as of December 31, 2017 compared with December 31, 2016 primarily as a result of the increase in deferred tax assets of RMB4.5 million as a result of the losses we recorded for 2017 for our newly established learning centers in Dongguan and Xiamen. We had an increase in deferred tax assets of RMB6.3 million in 2017, compared with an increase in deferred tax assets of RMB4.9 million in 2018. We recognized less deferred tax benefit in 2018 because the operating results of our learning centers in Dongguan and Xiamen improved and had less losses in 2018 compared with 2017.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 31.2% from RMB375.8 million for the year ended December 31, 2017 to RMB493.1 million for the year ended December 31, 2018. This increase was primarily due to increases in our total student enrollments and tutoring hours from 145,833 to 241,203 and 4,616,179 to 6,346,537, respectively, which were primarily because (i) the total number of our learning centers increased from 49 as of December 31, 2017 to 54 as of December 31, 2018 and new learning centers we established in 2017 entered into full operation in 2018; and (ii) the learning centers we opened in 2016 and 2017 began to grow rapidly in 2018 in terms of student enrollments and tutoring hours.

Cost of Sales

Our cost of sales increased by 21.4% from RMB252.3 million for the year ended December 31, 2017 to RMB306.4 million for the year ended December 31, 2018. This increase was primarily due to (i) an increase in staff costs, primarily due to the increase in the number of total tutoring hours as the result of our addition of new learning centers in the second half of 2017 and the opening of our new learning centers in 2018.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 51.2% from RMB123.5 million for the year ended December 31, 2017 to RMB186.7 million for the year ended December 31, 2018. Our gross profit margin increased from 32.9% for the year ended December 31, 2017 to 37.9% for the year ended December 31, 2018 primarily because (i) the learning centers we opened in 2016 and 2017 had completed their ramping-up and entered into a growth stage, and (ii) we opened relatively fewer new learning centers in 2018, that although we offer relatively more trial courses in these new centers at relatively lower tuition fees compared with that of regular courses, the relatively lower revenue gained from these new centers did not have a significant negative impact on our overall gross profit margin.

Selling Expenses

Our selling expenses decreased by 31.3% from RMB17.6 million for the year ended December 31, 2017 to RMB12.1 million for the year ended December 31, 2018. The decrease was primarily due to a decrease of RMB6.4 million in advertising and exhibition as we reduced our spending on large-scale advertisements and exhibitions in 2018 and primarily resorted to marketing and brand building through talks, parents' seminars to promote our business in the year ended December 31, 2018, compared with advertising in buses, newspapers, exhibitions and other outdoor advertisements in the year ended December 31, 2017. As a result, our advertising and exhibition expenses decreased significantly, and our salaries and benefits for sales and marketing personnel decreased as a result of a decrease in the number of sales and marketing staff we employed.

Administrative Expenses

Our administrative expenses increased by 37.6% from RMB51.2 million for the year ended December 31, 2017 to RMB70.5 million for the year ended December 31, 2018. This increase was mainly due to (i) the listing expenses of RMB14.4 million we incurred in 2018 in connection with the proposed Global Offering and Listing; and (ii) the increase of RMB12.2 million in salaries and benefits for our administrative personnel as a result of the expansion of our learning center network and growth of our business. These increases were partially offset by a decrease of RMB7.2 million in our office expenses and a decrease of RMB1.2 million in professional service fees. In 2018, we implemented centralized procurement of office supplies across our learning centers and achieved significant savings due to volume discounts. In particular, we have adopted the following measures to realize centralized procurement management and achieve the savings on office expenses: (i) we entered into framework agreements with suppliers for centralized procurement of office supplies;

(ii) we set up a bidding committee to be in charge of the process of our Group's procurement of office supplies; (iii) we implemented stringent centralized procurement approval procedures to reduce unnecessary procurement expenditure at each learning center. For instance, we reduced our expenses on purchasing bottled water at our learning centers by leasing water fountains from third parties. In addition, we ceased to lease green plants for each learning center and resorted to purchasing green plants for our newly established learning centers only. Moreover, we have tightened our reimbursement policy regarding procurement of office supplies. Previously, reimbursements could be approved at each learning center level. In 2017, we tightened our reimbursement policy such that reimbursements can only be approved at the Group level going forward. The office supplies we purchased during the Track Record Period include but not limited to printing papers, pens, notebooks, calculators, reusable bags and bottled water. In 2018, the discount per unit purchase price we enjoyed in purchasing reusable bags compared to 2017 was approximately 10.7%. With respect to other office supplies, such as notebooks, stationeries, file folders, power boards, cups and calculators, we ceased to provide reimbursement for our employees who purchased these supplies themselves, while allowing them to apply for such office supplies from our administrative department. In addition, we incurred professional service fees in 2017 mainly in connection with our successful application for the "high and new technology enterprise" status, which we did not have in 2018.

Research and Development Expenses

Our research and development expenses increased by 103.0% from RMB15.3 million for the year ended December 31, 2017 to RMB31.0 million for the year ended December 31, 2018. The increase was primarily due to the increase in the number of our research and development personnel.

Other Income

Our other income increased by 127.0% from RMB1.6 million for the year ended December 31, 2017 to RMB3.5 million for the year ended December 31, 2018. This increase was primarily due to (i) an increase of RMB6.2 million in sublease income. Shenzhen Unique began to pay rent to us in July 2017. We recorded such rental income only for July through December in 2017 while we had such rental income for the whole year of 2018; and (ii) an increase of RMB1.3 million in government grants because we obtained the "High and New Technology Enterprise" status in 2017, which were offset by an increase of RMB5.4 million in sublease expense representing expenses we incurred in relation to the properties we sub-leased to Shenzhen Unique.

Other Gains — Net

Our other net gains increased by 181.8% from RMB3.2 million for the year ended December 31, 2017 to RMB9.0 million for the year ended December 31, 2018. This increase was attributable to an increase of RMB6.3 million in realized and unrealized gains on financial assets at fair value through profit or loss, mainly due to an increase in the wealth management products we purchased for cash management purposes. The increase was offset in part by the increase in loss on net disposal of property, plant and equipment.

Finance Costs

Our finance costs increased by 13.2% from RMB2.8 million for the year ended December 31, 2017 to RMB3.2 million for the year ended December 31, 2018, primarily due to the increase in interest expenses on bank borrowings, which in turn was primarily because the average level of bank borrowings during the year ended December 31, 2018 was higher than that during the year ended December 31, 2017.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 99.4% from RMB41.4 million for the year ended December 31, 2017 to RMB82.6 million for the year ended December 31, 2018.

Income Tax Expenses

Our income tax expenses were approximately RMB5.7 million for the year ended December 31, 2017 as compared to income tax expenses of RMB13.1 million for the year ended December 31, 2018. The change was primarily due to an increase in our taxable profit. We opened more new learning centers in the year ended December 31, 2017, which incurred net losses and resulted in deferred tax assets. As a result, our taxable profit for the year ended December 31, 2017 was significantly less than that for the year ended December 31, 2018. Our effective tax rate was 13.8% for the year ended December 31, 2017 as compared to the effective tax rate of 15.8% for the year ended December 31, 2018. The increase in the effective tax rate was primarily due to the decrease in loss generated from our subsidiaries which are subject to EIT at a rate of 25% on its taxable income.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 94.7% from RMB35.7 million for the year ended December 31, 2017 to RMB69.5 million for the year ended December 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 120.1% from RMB170.8 million for the year ended December 31, 2016 to RMB375.8 million for the year ended December 31, 2017, primarily due to (i) increases in our total student enrollments and total tutoring hours from 97,046 to 145,833 and 2,737,030 to 4,616,179, respectively, which were primarily attributable to the expansion of our education service center network. The number of our learning centers increased from 28 as of December 31, 2016 to 49 as of December 31, 2017; and (ii) an increase in our average tuition fee per tutoring hour for our regular courses from RMB62.4 for the year ended December 31, 2016 to RMB81.4 for the year ended December 31, 2017.

Cost of Sales

Our cost of sales increased by 120.4% from RMB114.5 million for the year ended December 31, 2016 to RMB252.3 million for the year ended December 31, 2017. This increase was primarily due to (i) an increase in salaries and benefits as a result of the increase in the number of our teachers in line with our increased student enrollments; (ii) increases in rental expenses and depreciation and amortization, property management expenses and maintenance expenses as we expanded our network to Dongguan and opened 21 new learning centers in 2017; and (iii) increases in teaching materials and utilities in line with the growth in our student enrollments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 119.4% from RMB56.3 million for the year ended December 31, 2016 to RMB123.5 million for the year ended December 31, 2017, primarily as a result of an increase in our revenue. Our gross profit margin remained stable at 33.0% for the year ended December 31, 2016 and 32.9% for the year ended December 31, 2017.

Selling Expenses

Our selling expenses increased by 23.3% from RMB14.2 million for the year ended December 31, 2016 to RMB17.6 million for the year ended December 31, 2017. This increase was primarily due to (i) an increase in salaries and benefits for our sales and marketing personnel as we hired more sales and marketing personnel in 2017 due to the growth of our business; (ii) an increase in entertainment expenses relating to student activities; and (iii) an increase in advertising and exhibition expenses, which was in line with the growth of our business.

Administrative Expenses

Our administrative expenses increased by 126.9% from RMB22.6 million for the year ended December 31, 2016 to RMB51.2 million for the year ended December 31, 2017. This increase mainly reflected (i) a significant increase in salaries and benefits due to the increase in the number of our administrative personnel; and (ii) significant increases in depreciation and amortization and office expenses as we expanded our learning center network by opening 21 new learning centers in 2017.

Research and Development Expenses

Our research and development expenses increased by 136.1% from RMB6.5 million for the year ended December 31, 2016 to RMB15.3 million for the year ended December 31, 2017. This increase was primarily due to an increase in our research and development personnel.

Other Income

Our other income increased significantly from RMB0.1 million for the year ended December 31, 2016 to RMB1.6 million for the year ended December 31, 2017. This increase was primarily due to (i) an increase of RMB8.3 million in sublease income because the personalized tutoring program under Shenzhen Unique began to pay rent to us in 2017 after it commenced business operations; and (ii) an increase of RMB0.1 million in finance income primarily as the result of an increase in the interest income from bank deposits. These increases were offset in part by an increase of RMB6.9 million in sublease expense, primarily attributable to the increase in the corresponding rental expenses we incurred for the properties that we sub-leased to Shenzhen Unique.

Other Gains — Net

Our other net gains increased by 376.7% from RMB0.7 million for the year ended December 31, 2016 to RMB3.2 million for the year ended December 31, 2017. This increase was a result of an increase in realized and unrealized gains on financial assets at fair value through profit or loss as we increased our investment amount in wealth management products in 2017.

Finance Costs

Our finance costs increased by 329.6% from RMB0.7 million for the year ended December 31, 2016 to RMB2.8 million for the year ended December 31, 2017, primarily due to an increase in interest expenses on bank borrowings to finance the purchase of our office building.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 215.2% from RMB13.1 million for the year ended December 31, 2016 to RMB41.4 million for the year ended December 31, 2017.

Income Tax Expenses

Our income tax expenses increased by 107.6% from RMB2.8 million for the year ended December 31, 2016 to RMB5.7 million for the year ended December 31, 2017, primarily due to an increase in our taxable profit in 2017 as compared to 2016. Our effective tax rate decreased from 21.0% in 2016 to 13.8% in 2017 as a result of the deferred tax assets we recognized in 2017.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 243.9% from RMB10.4 million for the year ended December 31, 2016 to RMB35.7 million for the year ended December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through cash generated from our operating activities and bank borrowings. Our primary uses of cash have been to fund working capital, capital expenditures and other recurring expenses. Going forward, we believe that our liquidity requirements will be satisfied by a combination of cash flow generated from our operating activities, bank borrowings and the net proceeds from this Global Offering.

The following table sets forth our cash flows for the periods indicated:

	Year Ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Net cash flows generated from operating activities	106,852	173,881	113,996
Net cash flows used in investing activities	(172,289)	(150,866)	(85,360)
Net cash generated from/(used in) financing activities	64,724	(1,344)	(16,097)
Cash and cash equivalents at the beginning of the year	3,693	2,980	24,661
Cash and cash equivalents at the end of the year	2,980	24,661	37,200

Net Cash Flows from Operating Activities

During the Track Record Period, our cash inflows from operating activities were generated primarily from tuition fees, which are typically paid in advance before the relevant tutoring services are rendered.

For the year ended December 31, 2018, our net cash flows generated from operating activities was RMB114.0 million, primarily reflecting (i) profit before income tax of RMB83.3 million; (ii) positive total adjustments before movements in working capital of RMB16.5 million as a result of RMB22.7 million positive adjustment for depreciation and amortization, RMB3.2 million positive adjustment for finance costs, and RMB10.6 million negative adjustment for fair value gains on financial assets at fair value through profit or loss; (iii) positive movements in working capital of RMB32.4 million as a result of RMB47.3 million increase in trade and other payables and RMB15.9 million increase in contract liabilities, as partially offset by RMB30.8 million increase in prepayments and other receivables; and (iv) approximately RMB112,000 of interest received, RMB3.2 million of interest paid, and RMB15.0 million of income taxes paid.

For the year ended December 31, 2017, our net cash flows generated from operating activities was RMB173.9 million, primarily reflecting (i) profit before income tax of RMB31.9 million; (ii) positive total adjustments before movements in working capital of RMB17.7 million as a result of RMB19.1 million positive adjustment for depreciation and amortization, RMB2.8 million positive adjustment for finance costs, and RMB4.6 million negative adjustment for fair value gains on financial assets at fair value through profit or loss; (iii) positive movements in working capital of RMB137.6 million as a result of RMB124.2 million increase in contract liabilities due to the increase in our student enrollments and average tuition rate and RMB30.1 million increase in trade and other payables, as partially offset by RMB16.7 million increase in prepayment and other receivables as a result of the increase in lease deposits, prepaid rental expense and purchase of teaching materials; and (iv) approximately RMB168,000 of interest received, RMB2.8 million of interest paid and RMB10.6 million of income taxes paid.

For the year ended December 31, 2016, our net cash flows generated from operating activities was RMB106.9 million, primarily reflecting (i) profit before income tax of RMB13.1 million; (ii) positive total adjustments before movements in working capital of RMB4.4 million as a result of RMB4.8 million positive adjustment for depreciation and amortization, RMB0.7 million of positive adjustment for finance costs, and RMB1.1 million negative adjustment for fair value gains on financial assets at fair value through profit or loss; (iii) positive movements in working capital of RMB91.4 million as a result of RMB79.5 million of contract liabilities incurred during the year ended December 31, 2016, RMB20.4 million of trade and other payables incurred during the year ended December 31, 2016 as partially offset by RMB8.5 million increase in prepayment and other receivables incurred during the year ended December 31, 2016 in prepaid renovation expenses, rental expenses and lease deposits for our learning centers; and (iv) approximately RMB75,000 of interest received, approximately RMB595,000 of interest paid, and RMB1.5 million of income taxes paid.

Net Cash Used in Investing Activities

During the Track Record Period, our investing activities consist primarily of (i) purchase of property, plant and equipment; and (ii) purchase of financial assets at fair value through profit or loss.

For the year ended December 31, 2018, our net cash flows used in investing activities was RMB85.4 million, primarily reflecting (i) RMB1,166.5 million used to purchase financial assets at fair value through profit or loss; (ii) RMB53.5 million used to purchase property, plant and equipment, land use rights and intangible assets; and (iii) RMB10.5 million in payments for term deposits with initial maturities over 3 months, as partially offset by (i) RMB1,142.7 million in proceeds from disposal of financial assets at fair value through profit or loss, and (ii) RMB3.2 million of proceeds from disposal of property, plant and equipment.

For the year ended December 31, 2017, our net cash flows used in investing activities was RMB150.9 million, primarily reflecting (i) RMB779.8 million used in purchase of financial assets at fair value through profit or loss; and (ii) RMB68.2 million used in purchase of property, plant and equipment, land use rights and intangible assets, partially offset by (i) proceeds of RMB670.0 million from financial assets at fair value through profit or loss.

For the year ended December 31, 2016, our net cash flows used in investing activities amounted to RMB172.3 million, primarily reflecting (i) RMB311.3 million used to purchase financial assets at fair value through profit or loss; (ii) RMB102.9 million used to purchase property, plant and equipment, land use rights and intangible assets; and (iii) RMB28.0 million of amount due from shareholders, partially offset by (i) proceeds of RMB269.8 million from financial assets at fair value through profit or loss; and (ii) proceeds of RMB0.2 million from sale of property, plant and equipment.

Net Cash Flows Generated from/Used in Financing Activities

During the Track Record Period, our financing activities related primarily to (i) issuance of shares and other equity securities; (ii) borrowings and repayment of bank borrowings; and (iii) dividends declared to our shareholders.

For the year ended December 31, 2018, our net cash flows generated from financing activities was RMB16.1 million, primarily representing (i) proceeds of RMB106.8 million from issuance of shares to CREG; and (ii) proceeds of RMB20.0 million from bank borrowings, which were partially offset by (i) RMB89.0 million of dividends paid to shareholders, RMB47.0 million of repayment of borrowings, RMB3.5 million of payments for listing related expenses, and RMB3.4 million of repayment of amounts due to related parties.

For the year ended December 31, 2017, our net cash flows used in financing activities was RMB1.3 million, primarily reflecting (i) RMB60.5 million of proceeds from bank borrowings; and (ii) RMB3.4 million of amounts due to Hongde Education and Xuanyang Investment, which were offset in part by (i) RMB35.5 million used to repay the bank borrowings; and (ii) dividends paid to shareholders of RMB29.7 million.

For the year ended December 31, 2016, our net cash flows generated from financing activities was RMB64.7 million, primarily reflecting (i) RMB19.9 million of proceeds from issuance of shares and other equity securities to our Controlling Shareholders; and (ii) RMB46.9 million of bank borrowings and RMB2.1 million used to repay the bank borrowings.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth the breakdown of current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets				
Prepayment and other receivables	33,411	13,534	21,771	28,502
Financial assets at fair value through profit or loss	65,169	179,616	205,084	213,411
Term deposits over three months	—	—	10,500	14,000
Cash and cash equivalents	2,980	24,661	37,200	17,414
Total current assets	**101,560**	**217,811**	**274,555**	**273,327**
Current liabilities				
Contract liabilities	111,729	235,900	214,701	219,863
Trade and other payables	26,549	53,345	85,958	58,449
Current income tax liabilities	4,647	6,355	9,222	6,520
Borrowings	12,244	40,251	16,373	23,275
Lease liabilities	—	—	—	67,632
Total current liabilities	**155,169**	**335,851**	**326,254**	**375,739**
Net current liabilities	**(53,609)**	**(118,040)**	**(51,699)**	**(102,412)**

As of April 30, 2019, we had net current liabilities of RMB102.4 million, as compared to our net current liabilities of RMB51.7 million as of December 31, 2018. The increase in net current liabilities was primarily due to the increase in our lease liabilities and bank borrowings, which were partially offset by an increase in financial assets at fair value through profit or loss and a decrease in trade and other payables as a result of our distribution of bonus to employees for the year 2018.

As of December 31, 2018, we had net current liabilities of RMB51.7 million, as compared to net current liabilities of RMB118.0 million as of December 31, 2017. The decrease in net current liabilities was primarily due to (i) an increase of RMB25.5 million in our financial assets at fair value through profit or loss, an increase of RMB10.5 million in term deposits over three months, and an increase of RMB12.5 million in cash and cash equivalents; (ii) an increase of RMB8.2 million in prepayment and other receivables as a result of RMB4.8 million of prepayments for listing related expenses in connection with our proposed Global Offering and Listing; (iii) a decrease of RMB23.9 million in our borrowings as we repaid some of our bank borrowings; and (iv) a decrease of RMB21.2 million in contract liabilities primarily because we disposed of Shenzhen Unique and Shenzhen America during 2018 and we collected no more than three months of advance payment of tuition following the promulgation of the State Council Opinions 80 in August 2018 while we had more months of advance payment in 2017, resulting in higher contract liabilities. The decrease in net current liabilities was partially offset by an increase of RMB32.6 million in trade and other payables as a result of an increase of RMB30.1 million in employee benefits payables and RMB5.3 million of listing related expense payables we incurred in 2018 in connection with our proposed Global Offering and Listing.

As of December 31, 2017, we had net current liabilities of RMB118.0 million, as compared to net current liabilities of RMB53.6 million as of December 31, 2016. The increase in net current liabilities was primarily due to (i) an increase of RMB124.2 million in contract liabilities, as a result of the increase in our prepaid tuition which in turn resulted from increases in student enrollments and average tuition rates; (ii) an increase of RMB28.0 million in short-term borrowings; and (iii) an increase of RMB26.8 million in trade and other payables, primarily due to an increase in employee salaries payables as a result of the increase in the number of our teachers, as partially offset by (i) a decrease of RMB19.9 million in prepayment and other receivables primarily due to a decrease in amount due from key management personnel because such receivables were settled in 2017; and (ii) an increase of RMB114.4 million in financial assets at fair value through profit or loss, primarily attributable to the increase in the amount of wealth management products that we purchased in 2017.

Going forward, we expect to improve our working capital position by utilizing the net proceeds from this Global Offering and reduce the amount of short-term loans in our total borrowings.

WORKING CAPITAL

Historically, we have primarily financed our working capital needs through cash flows generated from operating activities and bank borrowings. Taking into account the financial resources available to our Group, including the cash flow from operating activities, existing bank borrowings and the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Prepayment and Other Receivables

Our prepayment and other receivables primarily consist of (a) amount due from directors and key management personnel, which are unsecured, interest free and repayable on demand. All the amounts due from directors and key management personnel were non-trade in nature and were settled as of December 31, 2018. In 2016, Mr. Chen Qiyuan, Mr. Chen Hongyu and Mr. He Fan borrowed a total of RMB28.2 million from us to pay for, among other things, the registered capital of Shenzhen Scholar, and the loans were repaid in 2017 and offset against certain expenses incurred on behalf of our Group. Amounts due from directors and key management personnel as of December 31, 2017 mainly represented (i) RMB61,000 of receivables from Mr. Chen Qiyuan, primarily because Mr. Chen Qiyuan drew such advance with a view to purchasing an auspicious car license plate for the Company, which was still in process as of December 31, 2017. Therefore, such amount was recorded as an amount due from Mr. Chen Qiyuan as of December 31, 2017. Subsequently, the purchase was not successful and the advance was repaid; (ii) RMB0.8 million of receivables from Mr. Chen Hongyu and RMB0.2 million of receivables from Mr. He Fan, primarily reflecting the advances that Mr. Chen Hongyu and Mr. He Fan drew from our Company as readily available cash intended to be used for marketing expenses for our newly opened learning centers and learning centers in Foshan that had yet to be identified or incurred as of December 31, 2017. Such marketing expenses were made for administrative convenience purposes primarily intended to cover business travel expenses, work-related events, out-of-pocket expenses and other relevant costs and expenses incidental to Mr. Chen Hongyu and Mr. He Fan promoting our business operations and identifying suitable sites for expansion. We no longer provide any significant advances to Directors or key management personnel for the foregoing purpose since 2018; (b) cash advance to employees, mainly representing advances to employees for various expenses incurred in the ordinary course of business. We provide cash advances to employees for business trips and work-related events. In addition, we provide cash advances to the chief manager of each learning center so that they can timely respond to customer service and maintenance needs that arise from time to time. Employees settle cash advances with us against payment receipts after they make the payment. Our cash advances to employees increased during the Track Record Period as result of the growth of our business and expansion of our learning center network. During the Track Record Period, we have adopted the following internal control measures to monitor the procedures of granting advances and reimbursement to employees: (i) in respect of travelling expenses incurred for business purposes, we require employees to apply for advances by submitting the business trip application form for approval. The approved amount should not be over the monthly salary of the applicant. The employee is required to settle the advances by providing relevant invoices and receipts to finance department within five days after the business trip; (ii) for other temporary advances granted to employees for business purposes, we generally require them to settle within a month; (iii) advances over RMB10,000 is required to notify our finance department at least one day in advance to prepare the cash; (iv) if the claimed amount is used beyond the scope allowed, it must be approved by the supervisor of the employee; and (v) those who have not repaid the advances are not allowed to draw advances again. If the employee fails to repay on time, the amount will be deducted from his or her salary; (c) loans to employees mainly represent loans we provided to some employees to help them purchase apartments for personal use. The loans were unsecured and interest free; (d) lease deposits, which represent deposits we pay for renting our learning centers; (e) prepayments, which primarily represent prepayments for rental expenses and prepayments we made to purchase course materials in order to obtain discounted prices; and (f) prepayment for leasehold improvement, which represents prepayment we made for renovation work.

The following table sets forth the details of our prepayment and other receivables included in current and non-current assets for the periods indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Included in non-current assets			
Lease deposits	8,929	17,593	17,486
Prepayments for leasehold improvement	8,239	5,745	5,747
Prepayments for renting expense	—	—	15,000
Prepayments for property, plant, equipment and land use rights	—	—	8,000
	17,168	23,338	46,233
Included in current assets			
Amounts due from directors and key management personnel	28,210	1,061	—
Amounts due from shareholders	—	—	315
Cash advance to employees	496	1,929	882
Loans to employees	—	—	840
Lease deposits	532	220	1,301
Prepayments for listing related expenses	—	—	4,780
Prepayments	3,774	9,534	9,848
Other receivables	399	790	3,805
	33,411	13,534	21,771
Total	50,579	36,872	68,004

Our prepayment and other receivables increased from RMB36.9 million as of December 31, 2017 to RMB68.0 million as of December 31, 2018, primarily due to (i) an increase of RMB15.0 million in prepayments for rental expenses as a result of the expansion of our learning center network and growth of our student enrollments; (ii) an increase of RMB8.0 million in prepayments for property, plant, equipment and land use rights, which is attributable to the down payment for our purchase of three units as premises of our learning centers for a total consideration of RMB11.9 million; and (iii) RMB4.8 million of prepayments for listing related expenses that we incurred in 2018 in connection with our proposed Global Offering and Listing.

Our prepayment and other receivables decreased from RMB50.6 million in 2016 to RMB36.9 million in 2017, primarily due to a decrease of RMB27.1 million in amount due from key management personnel because such amount was settled in 2017, which was partially offset by (i) an increase of RMB8.7 million in lease deposits under non-current assets because we opened 21 new learning centers in 2017 and (ii) an increase of RMB5.8 million in prepayments as a result of the increase in prepaid renovation fees, procurement fees, rental fees and lease deposits in connection with our new learning centers.

During the Track Record Period, our prepayments consist of (i) prepaid procurement expenses we incurred to purchase teaching materials and office supplies; (ii) unamortized expenses in connection with rent and utilities for our learning centers; (iii) other unamortized expenses, primarily reflecting our prepaid advertising fees; and (iv) others, primarily relating to prepayments on software and other activities. The table below sets forth a breakdown of our prepayments by nature for the periods indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Prepayments			
Prepaid procurement expenses	1,244	2,033	6,445
Unamortized expenses			
— Rent and utilities	2,143	6,552	2,053
— Others	—	158	246
Others	387	791	1,104
Total	3,774	9,534	9,848

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent the wealth management products we purchased during the Track Record Period. We purchase wealth management products as a means of cash management. Our financial assets at fair value through profit or loss increased significantly from RMB65.2 million in 2016 to RMB179.6 million in 2017, and to RMB205.1 million as of December 31, 2018, mainly because we made additional financial investments by utilizing the increased cash on hand to purchase wealth management products. We invest in wealth management products during the Track Record Period with a view to better using our spare cash, most of which is tuition fees we received in advance.

As of December 31, 2018, all of our financial assets at fair value through profit or loss were classified as level 3 financial instruments. Our finance department performs a valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case-by-case basis. At least once a year, our finance department uses valuation techniques to determine the fair value of our level 3 instruments and reports to senior management and our Directors. For details, see Note 3.3 of the Accountant's Report set out in Appendix I to this prospectus. Our Directors have reviewed the fair value measurement of level 3 financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of level 3 financial instruments is in accordance with the applicable IFRSs.

The reporting accountant's opinion on the historical financial information of our Group for the Track Record Period is set out in Appendix I to this prospectus.

For the purpose of assessing the fair value of the wealth management products, our Directors have (i) reviewed the terms of the agreements underlying the wealth management products; (ii) carefully considered all relevant market and non-market information input, in particular expected returns of the wealth management products requiring management assessments and estimates; and (iii) reviewed the statements of the wealth management products issued by the relevant financial institutions.

Based on the above, our Directors are of the view that the assessment of the fair value of the wealth management products is reasonable, and the financial statements of our Group are properly prepared.

Our Directors are satisfied with the valuation exercise for financial assets categorized as level 3 financial instruments in its historical financial information for the purpose of preparing the Accountant's Report set out in Appendix I to this prospectus. The Sole Sponsor has conducted due diligence work in relation to the Directors' assessment of fair value of the wealth management products, including: (i) reviewing the relevant notes (in particular notes 3.3 and 18) in the Accountants' Report, which is set out in Appendix I to this prospectus; (ii) understanding the general features of the wealth management products, including in particular the risk level, maturity and expected return and comparing the relevant period-end balance to the fair value assessed by our Directors with a view to checking whether the fair value assessed is reasonably in line, and commensurate with, the general features of the relevant wealth management products; and (iii) discussing with the Company and the Reporting Accountant about the key basis and assumptions used in the assessment of fair value of the wealth management products.

On the basis of the work done by the Directors and the Reporting Accountant and the Sole Sponsor's due diligence work set out above, nothing has come to the attention of the Sole Sponsor that would lead it to cast doubts on the fair value of the wealth management products assessed by our Directors.

Treasury Management Policy

During the Track Record Period, our wealth management products primarily consisted of low-risk, principal-protected unit trusts, structured deposits and other financial instruments issued by a PRC-based trust company and a number of commercial banks. As of December 31, 2018, we had not pledged any of our wealth management products.

It is our treasury management policy to utilize surplus cash reserves to invest in low-risk wealth management products and generate income without interfering with our business operations or capital expenditures. To control our risks, we typically invest in low-risk, short-term (maturity period generally not more than one year) and principal-protected wealth management products, such as (i) money market instruments including certified deposits and currency funds; (ii) debt instruments including sovereign debt, central bank-issued debts and various debt funds. We do not generally invest in equity securities or any wealth management products backed by unsecured debt securities. For investments within our pre-determined limit, our Board of Directors has authorized the chairman of our Board to make investment decisions and sign contracts. Our finance department is in charge of our wealth management activities. Where necessary, we will engage external experts to research and assess investment products and prepare research reports. Before our finance department implements an investment decision, approval by our chairman is required and all relevant investment contracts must be signed by our chairman. Our finance department tracks the underlying investments of our wealth management products, and analyzes their performance and progress. If such analysis reveals any risks for our wealth management products, we shall take action immediately to manage our investment risks. Our internal auditing team, independent directors and supervising board have the right to monitor and review our investment and to engage professional agencies to review and audit if they deem necessary. Our finance department reviews our cash position, operating cash requirements and potential investment opportunities every month with the assistance of our accounting and finance personnel, and submit a monthly investment plan and cash budget, which shall include (i) a suggested scope of the following month's investment targets based on our business and investment policies, and (ii) maximum balance of financial assets during the month and amount that may be used for investment as well as investment period. This monthly investment plan shall be submitted to the chief financial officer and chairman of the board for approval, and shall be submitted to the Board for approval when necessary. Our chief financial officer and chairman of the board review and approve such monthly investment plan and cash budget every month, taking into account whether there will be any negative impact on our Group's cash position and operating cash requirements. Our finance department personnel strictly follow the monthly investment plan to execute investment and redemption decisions.

Cash and Cash Equivalents

Our cash and cash equivalents comprised cash on hand and cash at banks. Our cash and cash equivalents as of December 31, 2016, 2017 and 2018 were RMB3.0 million, RMB24.7 million and RMB37.2 million, respectively. The table below sets forth the balance of our cash and cash equivalents as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	2,980	24,661	47,700
Less: Term deposits with original maturity over three months . .	—	—	(10,500)
Total	**2,980**	**24,661**	**37,200**

Our cash and cash equivalents increased from RMB3.0 million as of December 31, 2016 to RMB24.7 million primarily due to the increase in tuition fees we received from students. Our cash and cash equivalents further increased to RMB37.2 million as of December 31, 2018 primarily due to the increase in tuition fees we received from students and proceeds from our issuance of Shares to CREG.

Contract Liabilities

Our contract liabilities primarily represent prepaid tuition fees for which education services have not been yet rendered. Our contract liabilities increased from RMB111.7 million as of December 31, 2016 to RMB235.9 million as of December 31, 2017, primarily reflecting the increase in our student enrollments and prepaid tuition as a result of the expansion of our business. Our contract liabilities decreased from RMB235.9 million as of December 31, 2017 to RMB214.7 million as of December 31, 2018 primarily because we disposed of Shenzhen Unique and Shenzhen America in 2018 and we collected no more than three months of advance payment of tuition following the promulgation of the State Council Opinions 80 in August 2018 while we had collected more months of advance payment in 2017.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables, which represent procurement fees for the purchase of materials and books relating to our tutoring services; (ii) amounts due to related parties; (iii) employee salaries payables, which represent accrued staff payroll and bonus; (iv) other tax payables, mainly including value-added tax and other miscellaneous tax payables; (v) interest payables, representing the interest accrued in connection with our bank borrowings; (vi) deferred operating lease liabilities, which represent accrued rental expenses of our learning centers; and (vii) other payables, which represent construction fee payables for renovation and equipment installation, procurement fee payables for office equipment or other consumables, advances to employees and provision of employees' reimbursement.

The following table sets forth the details of our current trade and other payables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade payables	897	1,104	618
Amounts due to related parties — trade	—	1,269	2,035
Amounts due to related parties — non-trade	—	3,370	—
Employee benefits payables	18,322	30,819	60,929
Other tax payables	2,964	6,490	4,922
Interest payables	66	98	55
Deferred operating lease liabilities	346	923	2,380
Listing related expense payables	—	—	5,256
Other payables	3,954	9,272	9,763
Total	**26,549**	**53,345**	**85,958**

Our current trade and other payables increased from RMB53.3 million as of December 31, 2017 to RMB86.0 million as of December 31, 2018, primarily reflecting (i) an increase of RMB30.1 million in employee benefits payables as a result of the increase of 374 in the number of our employees in line with the expansion of our learning center network and growth of our business; and (ii) RMB5.3 million of listing related expense payables we incurred in 2018 in connection with our proposed Global Offering and Listing.

Our trade and other payables increased from RMB26.5 million as of December 31, 2016 to RMB53.3 million as of December 31, 2017, primarily due to (i) an increase of RMB12.5 million in employee benefits payables, which was primarily due to the increased number of our employees in 2017; (ii) an increase of RMB5.3 million in other payables, which was attributable to an increase in construction fees in connection with our newly opened learning centers; (iii) an increase of RMB3.4 million in non-trade amounts due to related parties, primarily reflecting advances we received from Hongde Education and Xuanyang Investment for our working capital purposes; (iv) an increase of RMB3.5 million in other tax payables, primarily due to the increase in taxable profit; and (v) an increase of RMB1.3 million in trade payables to two related parties for their provision of printing services of teaching material to our Group.

CAPITAL EXPENDITURES

Our capital expenditures have been primarily used for purchase of property, plant and equipment in connection with our learning centers. For the years ended December 31, 2016, 2017 and 2018, our capital expenditures were RMB94.7 million, RMB70.7 million and RMB45.5 million, respectively. We have funded these capital expenditures primarily with cash generated from operations, proceeds from private placement of our equity securities and bank borrowings.

We expect to incur capital expenditures of RMB88.0 million for 2019, primarily to finance our purchase of property, plant and equipment in connection with our learning centers. We currently expect to fund these capital expenditures primarily with cash generated from our operations and the net proceeds from the Global Offering.

CONTRACTUAL COMMITMENTS

Operating Leases

Our operating lease payments commitments represent rental payables for the premises leased for our learning centers and offices. These leases are negotiated for terms of two to 20 years. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Within one year	35,810	69,306	69,413
Later than one year but not later than five years	92,193	206,666	208,075
Later than five years	7,993	45,947	42,258
Total	**135,996**	**321,919**	**319,746**

INDEBTEDNESS

The following table sets out our total debts as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)
Borrowings	44,824	69,780	42,759	48,568
Lease liabilities	—	—	—	250,853
	44,824	69,780	42,759	299,421

Borrowings

Our borrowings primarily consisted of non-current secured bank borrowings and unsecured bank borrowings with guarantee. Our bank loans as of December 31, 2016, 2017 and 2018, as well as April 30, 2019, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*
Non-current				
— Secured				
Bank borrowings	32,580	29,529	26,386	25,293
Current				
— Secured				
Current portion of non-current bank borrowings	2,844	3,051	3,173	3,225
Bank borrowings	9,400	37,200	—	—
— Unsecured with guarantee				
Bank borrowings	—	—	13,200	20,050
	12,244	40,251	16,373	23,275
Total	**44,824**	**69,780**	**42,759**	**48,568**

We primarily borrow loans from banks to supplement our working capital and finance our expenditure. The bank loans as of December 31, 2016, 2017 and 2018 were all denominated in Renminbi.

As of December 31, 2016, 2017 and 2018, bank borrowings of RMB35,424,000, RMB50,580,000 and RMB29,559,000 were secured by the buildings and land use rights of Shenzhen Scholar, net book value of which amounted to RMB74,186,000, RMB72,163,000, and RMB70,140,000, respectively.

As of December 31, 2016 and 2017, bank borrowings of RMB9,400,000 and RMB19,200,000 were secured by a personal property of Mr. Chen Qiyuan. Relevant bank borrowings were repaid by us in 2018 and the security was released accordingly.

As of December 31, 2016, 2017 and 2018, bank borrowings of RMB44,824,000, RMB69,780,000 and RMB42,759,000 were guaranteed by Mr. Chen Qiyuan.

The repayment date of the majority of our bank borrowings is within five years from the date of the borrowing. The effective interest rates were 5.3%, 5.4%, 5.2%, respectively, for the years ended December 31, 2016, 2017 and 2018.

As of December 31, 2016, 2017 and 2018. The maturities of borrowings are as follows:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 year	12,244	40,251	16,373
Between 1 and 2 years	3,051	3,173	3,332
Between 2 and 5 years	10,004	10,506	11,034
Over 5 years	19,525	15,850	12,020
	44,824	69,780	42,759

As of April 30, 2019, we had RMB10.0 million of unutilized banking facilities. The relevant facility agreement provides that each drawdown of the loan (including the purpose thereof) is subject to our application and approval by the lender. We expect that any restriction on the use of the loan will be imposed by the lender and specified in the relevant loan agreement before drawdown.

Lease Liabilities

Our Group has adopted IFRS 16 for accounting period beginning on or after January 1, 2019 as stated in Note 2.1 of the Accountant's Report in Appendix I to this prospectus. As such, leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position for accounting period beginning on or after January 1, 2019. As of April 30, 2019, our current and non-current lease liabilities amounted to RMB67.6 million and RMB183.3 million, respectively.

Statement of Indebtedness

Except as disclosed above, as of April 30, 2019, being the latest practicable date for determining our indebtedness, we did not have any debt securities or loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since December 31, 2018 except as disclosed under "— Indebtedness" and "— Contingent Liabilities" in this section.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded significant contingent liabilities, guarantees or any 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

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Purchase of teaching materials:			
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	2,771	3,816
Shenzhen Hengchuangxin Industry and Technology Co., Ltd.	—	448	4,789
	—	3,219	8,605

Our Directors confirmed that the purchase of teaching materials was conducted on normal commercial terms and the purchase price was determined with reference to the prevailing market price.

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Borrowings guaranteed by a Controlling Shareholder:			
Mr. Chen Qiyuan	44,824	69,780	42,759

The guarantee provided by Mr. Chen Qiyuan is expected to be released before the Listing.

The tables below set forth outstanding balances with related parties as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Other receivables			
Mr. Chen Qiyuan	26,020	61	—
Mr. Chen Hongyu	1,990	800	—
Mr. He Fan	200	200	—
Sky Noon	—	—	184
Magnificent Industrial	—	—	118
Brilliant Faith	—	—	13
Total	28,210	1,061	315

All the amounts due from directors and key management personnel were non-trade in nature and were settled before December 31, 2018, and the amounts due from other related parties had been settled as of the Latest Practicable Date.

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade payables			
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	905	896
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	—	364	1,139
	—	1,269	2,035

	As of December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Other payables			
Hongde Education	—	2,220	—
Shenzhen Xuayang Jiuzhou	—	1,150	—
Total	**—**	**3,370**	**—**

Please refer to Note 29 of the Accountants' Report included in Appendix I to this prospectus and the section titled "Connected Transactions" for further information.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,		
	2016	2017	2018
Net profit margin(1)	6.1%	9.5%	14.1%
Current ratio(2)	0.7	0.6	0.8
Net debt to equity ratio(3)	167.6%	212.7%	4.8%
Gearing ratio(4)	179.5%	328.9%	37.1%
Return on equity(5)	105.5%	154.5%	101.8%
Return on assets(6)	8.1%	11.7%	15.9%

Notes:

(1) Net profit margin was calculated based on our profit for the respective year divided by our total revenue from continuing operations for the same year.

(2) Current ratio was calculated based on our total current assets divided by our total current liabilities as of the end of the year.

(3) 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 divided by total equity at the end of the year.

(4) Gearing ratio was calculated based on our interest-bearing liabilities as of the respective dates divided by our total equity as of the same dates.

(5) Return on equity equals profit from continuing operations for the year divided by average total equity amounts as of the end of the year/period.

(6) Return on assets equals profit from continuing operations for the year divided by average total assets as of the end of the year.

Current Ratio

Our current ratio decreased from 0.7 as of December 31, 2016 to 0.6 as of December 31, 2017, mainly due to an increase in contract liabilities resulting from the increase in prepaid tuition fees we received from students, which led to an increase in current liabilities. Our current ratio increased to 0.8 as of December 31, 2018, primarily because our cash and cash equivalents increased as a result of proceeds from CREG's investment, and our current liabilities decreased due to the decrease in our contract liabilities following our disposal of Shenzhen Unique and Shenzhen America and our repayment of some short-term loans.

Net debt to Equity Ratio

Our net debt to equity ratio increased from 167.6% as of December 31, 2016 to 212.7% as of December 31, 2017, mainly due to the increase in bank loans we borrowed to finance our working capital. Our net debt to equity ratio decreased to 4.8% as of December 31, 2018, mainly because our net debt decreased due to the increase in our cash and cash equivalents as a result of proceeds from CREG's investment and our increased net profit, as well as the decrease in our interest-bearing borrowings.

Gearing Ratio

Our gearing ratio increased from 179.5% as of December 31, 2016 to 328.9% as of December 31, 2017 primarily as the result of the increase in our interest-bearing bank borrowings. Our gearing ratio decreased from 328.9% as of December 31, 2017 to 37.1% as of December 31, 2018 primarily because our total equity increased by RMB94.0 million, or 443.1%, as a result of the increase in our net profit. In addition, our interest-bearing borrowings decreased by RMB27.0 million from December 31, 2017 to December 31, 2018 as we repaid some of our loans.

Return on Equity

Our return on equity increased from 105.5% for the year ended December 31, 2016 to 154.5% for the year ended December 31, 2017, mainly due to an increase in net profit. Our return on equity decreased to 101.8% for the year ended December 31, 2018, mainly because our total equity increased in 2018 as a result of CREG's investment.

Return on Assets

Our return on assets increased from 8.1% for the year ended December 31, 2016 to 11.7% for the year ended December 31, 2017, and further increased to 15.9% for the year ended December 31, 2018, mainly because the growth in our net profit outpaced that in average total assets.

DISCONTINUED OPERATIONS

During the Track Record Period, we offered one-on-one and small-class tutoring services through Shenzhen Unique (through the "You Xue" (優學) brand) and English language-focused tutoring through Shenzhen America, which were established in June 2017 and August 2017, respectively.

In March 2018, we decided to discontinue our operations conducted through Shenzhen Unique and Shenzhen America to focus on our academic preparation program and early primary education program, which we believe are our core strengths and have significant market potential. In March and April 2018, we disposed of Shenzhen America and Shenzhen Unique, respectively, by transferring all of the equity interests our Group held in them to Independent Third Party individuals. Shenzhen America recorded net current liabilities before the disposal. To facilitate the successful completion of the disposal, we waived RMB3.9 million receivables from Shenzhen America as to offset the accumulated losses incurred by Shenzhen America. Based on the percentage share of equity interest in Shenzhen America before the disposal, the effective impact of such waiver on the Group and minority shareholder was RMB2.5 million and RMB1.4 million, respectively. The losses we recorded on disposal of Shenzhen America were approximately RMB3.5 million considering the waiver of receivables. After off-setting the gain on disposal of Shenzhen Unique amounting to approximately RMB5.9 million, the overall gain on disposal of subsidiaries for the year ended December 31, 2018 was RMB2.4 million.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to our Group. Our Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of our operations.

The credit risk of our Group's financial assets, which mainly consist of cash and cash equivalents, term deposits with original maturity over three months, trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of our Group's amounts due from related parties have no collateral. We assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Our management also regularly reviews the recoverability of these receivables and follows up the disputes or amounts overdue, if any.

Cash and cash equivalents and term deposits with original maturity over three months

As of December 31, 2016, 2017 and 2018, substantially all of our bank deposits were deposited with major financial institutions incorporated in the PRC, which we believe are of high-credit quality without significant credit risks.

Other receivables

Other receivables at the end of each year/period were mainly due from Directors and key management personnel, as well as lease deposits. Our Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, we compare risk of a default occurring on the assets as of December 31, 2016, 2017 and 2018 with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic condition that are expected to cause a significant change to our ability to meet obligations;

- actual or expected significant changes in the operating results of our Company;

- significant changes in the expected performance and behavior of our Company, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/ repayable demanded within 90 days when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with our Group. Our Group categorize a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 365 days past due. Where loans or receivables have been written off, we continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Our Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, our Group accounts for credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, we consider historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As of December 31, 2016, 2017 and 2018, we consider other receivables and amounts due from related parties as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. We have assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognized during the Track Record Period for these balances is close to zero.

Liquidity Risk

Our Group manages the liquidity risk through holding of sufficient cash and bank balances. We further mitigate the liquidity risk by maintaining cash reserve and utilizing bank financing. Our Directors consider that our Group is not exposed to significant liquidity risk.

The table below analyzes our financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payment computed using contractual rates or, if floating, based on current rates at each balance sheet date.

	Within one year	One to two years	Two to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2016					
Trade payables	897	—	—	—	897
Other payables	3,954	—	—	—	3,954
Borrowings	13,984	4,583	13,659	21,977	54,203
	18,835	**4,583**	**13,659**	**21,977**	**59,054**
As of December 31, 2017					
Trade payables	2,373	—	—	—	2,373
Other payables	12,642	—	—	—	12,642
Borrowings	41,783	4,554	13,660	17,423	77,420
	56,798	**4,554**	**13,660**	**17,423**	**92,435**
As of December 31, 2018					
Trade payables	2,653	—	—	—	2,653
Other payables	15,019	—	—	—	15,019
Borrowings	18,243	4,553	13,660	12,899	49,355
	35,915	**4,553**	**13,660**	**12,899**	**67,027**

Interest Rate Risk

Our Group's interest rate risk arises primarily from borrowings. Borrowings obtained at variable rates expose our Group to cash flow interest rate risk. We currently have not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As of December 31, 2016, 2017 and 2018, all of our borrowings are variable rate borrowings.

DIVIDEND POLICY

We intend to adopt, after our Listing, a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among others, our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deems relevant. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries, which are established in the PRC. Our subsidiaries in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and distributing returns to their shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board. During the Track Record Period, we paid cash dividends of nil, RMB29.7 million and RMB89.0 million to our shareholders, respectively, in 2016, 2017 and 2018.

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 had no reserve set aside from profits available for distribution to the Shareholders as of December 31, 2018. With the approval of an ordinary resolution, our Company may declare and pay dividends out of the share premium account or other authorized account in accordance with the Companies Law.

LISTING EXPENSES

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering, assuming that the Over-allotment Option is not exercised) for the Global Offering were approximately RMB61.2 million. During the Track Record Period, we incurred approximately RMB14.4 million of listing expenses for the Global Offering, which was charged to the consolidated statements of profits or loss for the year ended December 31, 2018, as administrative expenses. We expect to incur additional listing expenses of RMB46.8 million in connection with the Global Offering, of which an estimated amount of RMB18.3 million is expected to be recognized as administrative expenses and the remaining amount of RMB28.5 million is expected to be recognized directly as a deduction from equity upon the Listing. 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.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2018, being the date on which our latest consolidated financial statements were prepared, and there is no event since December 31, 2018 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued the properties held by us as of May 31, 2019. The particulars of our owned properties and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are set out in Appendix III to this prospectus.

A reconciliation of the net book value of our properties as of December 31, 2018 as set out in "Accountants' Report of the Group" in Appendix I to their fair value as of May 31, 2019 as stated in the property valuation report set out in "Property Valuation Report" in Appendix III is set out below:

	Amount
	RMB'000
Net book value of our property interests as of December 31, 2018:	
Buildings included in property, plant and equipment	47,480
Land use rights	39,352
Additions for the five months ended May 31, 2019:	
Buildings included in property, plant and equipment	1,857
Land use rights	10,414
Less: Depreciation and amortization for the five months ended May 31, 2019	(1,003)
Valuation surplus	5,200
Valuation as of May 31, 2019 as set out in Appendix III to this prospectus	103,300

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to owners of our Company as of December 31, 2018 as if the Global Offering had taken place on such date assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted consolidated net tangible assets of our Group 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 as of December 31, 2018 or at any future dates. It is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2018 as derived from the Accountant's Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as of December 31, 2018	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$3.28 per Offer Share, after a Downward Offer Price Adjustment of approximately 10% . .	114,143	317,083	431,226	0.78	0.88
Based on an Offer Price of HK$3.64 per Share	114,143	355,011	469,154	0.84	0.96
Based on an Offer Price of HK$4.68 per Share	114,143	464,581	578,724	1.04	1.19

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2018 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of December 31, 2018 of RMB115,219,000 with an adjustment for the intangible assets as of December 31, 2018 of RMB1,076,000.

(2) The estimated net proceeds from the Global Offering are based on 124,900,000 new shares at the indicative Offer Price of HK$3.64 and HK$4.68 per Share and also based on an Offer Price of HK$3.28 per Offer Share after making a Downward Offer Price Adjustment of approximately 10%, respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Group and does not take into account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is arrived at on the basis that 555,700,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue have been completed on December 31, 2018 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of our Group per Share, the amount stated in Renminbi is converted into Hong Kong dollars at the rate of RMB0.8787 to HK$1.0. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate at all.

(5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2018.

FUTURE PLANS

Please refer to "Business — Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$450.1 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$4.16 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 50.0%, or HK$225.1 million, is expected to be used primarily to expand our learning center network in the Guangdong-Hong Kong-Macau Greater Bay Area. In particular, we plan to open approximately 95 new learning centers spanning across a number of major cities in Guangdong and Fujian provinces. We plan to (i) use HK$50.0 million to open 21 new learning centers in 2019; (ii) use HK$80.0 million to open 34 new learning centers in 2020; and (iii) use HK$95.1 million to open 40 new learning centers in 2021. See "Business — Our Business Strategies — Increase our penetration of Shenzhen market and expand our geographic coverage in the Guangdong-Hong Kong-Macau Greater Bay Area";

- approximately 30.0%, or HK$135.0 million, is expected to be used primarily to improve our teaching quality, including, among others, (i) optimizing and diversifying our service offerings and developing digital materials; and (ii) investing in new technologies to develop advanced information technology platforms and mobile applications to facilitate our teaching process. See "Business — Our Business Strategies — Continue to optimize and diversify our service offering and develop applications and digital materials".

The following table sets forth the details on the amounts of proceeds expected to be used to optimize services offerings and invest in new technologies in the year indicated:

	Amount of proceeds to be used			
	2019	2020	2021	Total
	HKD (million)	HKD (million)	HKD (million)	HKD (million)
Optimizing and diversifying service offerings				
— Informationalization of course content and course materials	9.2	6.7	6.7	**22.6**
— Offering new courses of artificial intelligence	1.7	3.5	6.2	**11.4**
— Developing supplementary courses[1]	2.3	2.8	2.8	**7.9**
— Offering new courses of history and politics	2.3	3.3	—	**5.6**
— Hiring additional courses development staff	2.3	2.3	—	**4.6**
Developing digital materials				
— Procurement and improvement of digital platform	6.6	3.9	11.4	**21.9**
— Purchase of equipment and improvement of recording studios	2.3	5.1	5.7	**13.1**
— Hiring qualified talent	1.2	1.2	—	**2.4**
Investing in new technologies				
— Developing applications and service platforms	8.3	7.2	7.3	**22.8**
— Informationalization of human resources, finance and business operation systems	6.3	8.5	7.9	**22.7**
Total	42.5	44.5	48.0	**135.0**

Note:

(1) Include, among others, primary school courses in connection with student concentration and mathematics-related reading comprehension, courses designed to cultivate habits and moral education courses.

- approximately 20.0%, or HK$90.0 million, is expected to be used primarily to renovate the facilities of our learning centers and purchase teaching equipment to improve our students' learning experience so as to further optimize the pricing of our classes and enhance our profitability. See "Business — Our Network" for details.

The following table sets forth the details on the amounts of proceeds expected to be used to renovate facilities and purchase teaching equipment in the year indicated:

	Amount of proceeds to be used			
	2019	**2020**	**2021**	**Total**
	HKD (million)	**HKD (million)**	**HKD (million)**	**HKD (million)**
Renovating facilities[1]	23.0	32.0	15.0	**70.0**
Purchasing teaching equipment[2]	7.0	9.2	3.8	**20.0**
Total	30.0	41.2	18.8	**90.0**

Notes:

(1) The proceeds we intend to use for renovating facilities are calculated based on the maintenance cost and renovation cost we expect to incur for redecoration, daily repair and maintenance work of our existing learning centers. In particular, for the years ending December 31, 2019, 2020 and 2021, we expect to (i) conduct maintenance work for approximately 75, 109 and 149 learning centers, respectively, with approximately RMB10,000, RMB11,000 and RMB11,000, respectively, for each learning center for the same years; and (ii) extensively renovate the existing facilities of approximately 19, 16 and seven learning centers which have commenced operations for three years, respectively, covering a total area of approximately 20,735 sq.m., 26,993 sq.m. and 10,952 sq.m., respectively, of these learning centers for the same years. The renovation fees we expect to incur are approximately RMB950 per sq.m., RMB1,000 per sq.m. and RMB1,060 per sq.m., respectively, for the coming three years. See "Business — Our Network" in this prospectus for details regarding the estimated maintenance and renovation costs in the next three years.

(2) The proceeds we expect to use for purchasing teaching equipment are calculated based on the equipment purchase fees we expect to incur for upgrading the teaching equipment and surveillance equipment. In particular, for the years ending December 31, 2019, 2020 and 2021, we intend to upgrade the equipment of approximately 19, 16 and seven learning centers, respectively, covering a total area of approximately 20,735 sq.m., 26,993 sq.m., and 10,952 sq.m., respectively, of these learning centers for the same years. The teaching equipment purchase fees we expect to incur are approximately RMB300 per sq.m. for each of the coming three years. See "Business — Our Network" in this prospectus for details regarding the estimated equipment purchase fees in the next three years.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong.

In the event that the Offer Price is set at HK$3.64 per Offer Share (being the bottom end of the indicative Offer Price range), the estimated net proceeds we will receive will be reduced by approximately HK$62.3 million. In the event that the Offer Price is set at HK$4.68 per Offer Share(being the top end of the indicative Offer Price range), the estimated net proceeds we will receive will be increased by approximately HK$62.3 million. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$3.28 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$43.2 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis and we will consider internal resources or external financing for the relevant purposes in the case of decrease of net proceeds allocated.

If the Over-allotment Option is exercised in full, we estimate that our net proceeds from the offering of these additional Shares will be approximately HK$74.8 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$4.16 per Share. 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$143.4 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

HONG KONG UNDERWRITERS

CLSA Limited
China Industrial Securities International Capital Limited
Haitong International Securities Company Limited
China Everbright Securities (HK) Limited
First Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 12,490,000 Hong Kong Offer Shares (subject to adjustment and re-allocation as described under the section headed "Structure of the Global Offering — The Hong Kong Public Offering") for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares to be allotted and issued under the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Placing will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by notice to us from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the British Virgin Islands, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any jurisdiction relevant to any member of our Group or the Global Offering (collectively, the "Relevant Jurisdictions"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; or

(iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary, the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or by other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company listed or quoted on a stock exchange or an over-the-counter market; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) any new law, statute, ordinance, legal code, regulation or rule, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any of the Relevant Jurisdictions; or

(viii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(x) a Director being charged with an indictable offense or prohibited by operation of laws, statutes, ordinances, legal codes, regulations or rules or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his office; or

(xii) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) a contravention by any member of the Group of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without prior consent of the Joint Global Coordinators; or

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group taken as a whole; or

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued 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, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) that a material portion of the orders placed or confirmed in the book-building process has been withdrawn, terminated or cancelled.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by our Company*

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue and issue of any Shares pursuant to the exercise of any of the options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the

Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor (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 an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders and the Warranting Directors undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the above undertaking.

Our Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters).

(B) *Undertakings by our Controlling Shareholders and/or the Warranting Directors*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor (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 sub-paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or announces 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 sub-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.

Each of our Controlling Shareholders has agreed and undertaken that he/it will not, and each of our Controlling Shareholders and the Warranting Directors further undertakes to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters).

Indemnity

Each of our Company, our Controlling Shareholders and the Warranting Directors has agreed to jointly and severally indemnify, among others, the Sole Sponsor, 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, among others, their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and our Controlling Shareholders and the Warranty Directors of the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

In addition to the above undertakings under the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken to the Stock Exchange pursuant to Rule 10.08 and Rule 10.07 of the Listing Rules, respectively.

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that, except pursuant to the Global Offering, they will not and will procure the relevant registered shareholders not:

(a) in the period commencing on the date by reference to which disclosure of their shareholding in the company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he is or they are shown by this prospectus to be the beneficial owner(s); or

(b) in the period of six months commencing on the date on which the period referred to in Rule 10.07(1)(a) of the Listing Rules expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) of the Listing Rules if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

According to Note (2) to Rule 10.07(2) of the Listing Rules, nothing in this rule shall prevent a controlling shareholder from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of their shareholding is made in this prospect and ending on the date which is 12 months from the Listing Date:

(a) when he/it pledges or charges any securities beneficially owned by him/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged/charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform the issuer in writing of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with the International Underwriters and other parties thereto. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, agree to purchase the International Placing Shares or procure subscribers or purchasers for the International Placing Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, we will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in paragraph headed "Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings pursuant to the Hong Kong Underwriting Agreement" in this section.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to sell up to an aggregate of 18,735,000 additional Shares, representing in aggregate of approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Assuming an Offer Price of HK$4.16 per Share (being the mid-point of the indicative Offer Price range), the listing expenses, representing professional and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus, (collectively the "Commissions and Fees") are estimated to be approximately HK$66.7 million (assuming the Over-allotment Option is not exercised at all) in total.

The Commissions and Fees were determined after arm's length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this section of the prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interests in any member of our Company or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of Shares as a result of fulfilling their obligations under the Underwriting Agreements.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilization Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, CLSA Limited, as Stabilization Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilization Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilization Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilization Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(a) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(b) in connection with any action described in paragraph (a) above:

(i) (1) over-allocate the Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

(ii) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

(iv) offer or attempt to do anything as described in paragraphs (b)(i)(2), (b)(ii) or (b)(iii) above.

The Stabilization Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilization Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilization action may be taken, demand for the Shares, and therefore their market price, could fall. Any stabilizing action taken by the Stabilization Manager, its affiliates or any person acting for it may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 18,735,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. CLSA Limited and China Industrial Securities International Capital Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering comprises:

- the Hong Kong Public Offering of initially 12,490,000 Shares (subject to adjustment) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section (including the Employee Preferential Offering of up to 1,249,000 Employee Reserved shares as described in the paragraph "Employee Preferential Offering" below in this section; and

- the International Placing of initially 112,410,000 Shares (subject to the Over-allotment Option and adjustment) outside the United States in offshore transactions in reliance on Regulation S as described in the paragraph headed "International Placing" in this section.

Investors may either apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for the International Placing Shares under the International Placing, but may not do both. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** application form. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering and shall not apply for or indicate an interest in acquiring the International Placing Shares under the International Placing. All Eligible Employees may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering and the Employee Reserved Shares under the Employee Preferential Offering but may not apply for or indicate an interest for the International Placing Shares under the International Placing.

The Offer Shares will represent approximately 22.5% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 25.0% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming no Shares are issued under the Share Option Scheme.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option) on the Main Board of the Stock Exchange, and such approval not having been subsequently revoked or withdrawn prior to the Listing Date;
- the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date;
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements; and
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on or before Wednesday, June 19, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.skledu.com** on the next business day following such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — Refund of application monies" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bank or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to despatch share certificates for the Offer Shares on Thursday, June 20, 2019. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Friday, June 21, 2019 provided that the Global Offering has become unconditional in all respects at or before that time.

Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do So entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed "Conditions of the Global Offering" in this section) for the subscription in Hong Kong of, initially, 12,490,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent approximately 2.2% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).

The Hong Kong Public Offering is open to all 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 that regularly invest in shares and other securities. Of the 12,490,000 Shares initially being offered under the Hong Kong Public Offering, up to 1,249,000 Shares (representing 10% of the total number of Shares initially being offered under the Hong Kong Public Offering and 1% of the total number of Shares being offered under the Global Offering) are available for subscription by the Eligible Employees on a preferential basis under the Employee

Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** application forms. Please refer to the paragraphs headed "Employee Preferential Offering" in this section below for further details.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph "Conditions of the Global Offering" in this section.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering, after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing and after deducting the number of Employees Reserved Shares validly applied for under the Employee Preferential Offering, is to be divided equally into two pools for allocation purposes:

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

If the Hong Kong Offer Shares are offered to Eligible Employees for subscription under the Employee Preferential Offering are not fully taken up, any excess Hong Kong Offer Shares will be reallocated to pool A and pool B in equal proportions (to the nearest board lot).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of the Hong Kong Offer Shares initially included in the Hong Kong Public Offering excluding the Employee Reserved Shares (that is, 5,620,000 Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

Reallocation and Clawback

In the event there remains any Employee Reserved Shares after satisfying in full all the applications from the Eligible Employees, on a fair and reasonable basis, the remaining Employee Reserved Shares will be reallocated to the Hong Kong Public Offering and subject to the allocation of the Global Offering between the International Placing and the Hong Kong Public Offering.

The allocation of our Shares between the Hong Kong Public Offering (excluding the Employee Preferential Offering) and the International Placing is subject to adjustment on the basis described below. Currently, we have allocated 12,490,000 Shares to the Hong Kong Public Offering, representing 10% of our Shares initially available under the Global Offering.

(a) Where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate;

(ii) if 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, then up to 12,490,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to not more than 24,980,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iii) if the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing (but without increasing the number of Employee Reserved Shares under the Employee Preferential Offering) so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 37,470,000 Shares (in the case of (i)), 49,960,000 Shares (in the case of (ii)) and 62,450,000 Shares (in the case of (iii)), respectively, representing approximately 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global Offering (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B (after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such a manner as the Joint Global Coordinators deem appropriate.

(b) Where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;

(ii) if the Hong Kong Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 12,490,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to not more than 24,980,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in a(ii) or b(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$3.64 per Offer Share) in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 24,980,000 Offer Shares). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The number of Employee Reserved Shares under the Employee Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Placing.

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 (including conditionally and/or provisionally) Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$4.68 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$4,727.16 for every board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph "Determination of Offer Price" below in this section, is less than the maximum price of HK$4.68 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,249,000 Employee Reserved Shares, representing 10% of the Hong Kong Offer Shares available under the Global Offering and approximately 0.22% of the enlarged issued share capital of our Company upon completion of the Global Offering, which are not subject to reallocation to the International Placing as described above, are available for subscription by the Eligible Employee on a preferential basis. The 1,249,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** application form will be allocated to such applicants on a pro-rata basis in proportion (as nearly as possible without involving fraction of a board lot) to the level of valid applications received from Eligible Employees if there are insufficient Employee Reserved Shares available to **PINK** application form applicants. Allocation of Employee Reserved Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. Under the allocation guidelines, the allocation of Employee Reserved Shares to Eligible Employees will be made on a pro rata basis in an equitable manner based solely on the level of valid applications received from Eligible Employees and will not be based on seniority, identity, work performance or length of service of the Eligible Employee. No favour will be given to Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** application form for more than 1,249,000 Employee Reserved Shares will be rejected. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares.

In addition to any application for Employee Reserved Shares on a **PINK** application form, Eligible Employees will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider via the **White Form eIPO** service.

As at the Latest Practicable Date, there were 2,592 Eligible Employees.

In case not all the 1,249,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 112,410,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering, subject to reallocation and the Over-allotment Option. The number of Offer Shares initially offered under the International Placing, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 20.2% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).

The International Placing is subject to the same conditions as stated in the paragraph "Conditions of the Global Offering" in this section.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the International Placing Shares to investors under the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Placing Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional, institutional and other shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) which is exercisable of the sole discretion of the Joint Global Coordinators (on behalf of the International Underwriters). The Over-allotment Option gives the Joint Global Coordinators the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for the lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 18,735,000 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Placing, if any. In the event that the Over-allotment Option is exercised, we will make an announcement in accordance with the Listing Rules.

The Joint Global Coordinators may cover any over-allocations by using Shares purchased by the Stabilization Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 18,735,000 Shares, representing 15% of the Shares available under the Global Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.26% of the enlarged total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but 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.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the 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, rules and regulations in place, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilization price is not permitted to exceed the offer price.

CLSA Limited has been appointed by us as the Stabilization Manager for the purposes of the Global Offering in accordance with the Securities and Future (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). In connection with the Global Offering, the Stabilization Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on Wednesday, July 17, 2019. However, there is no obligation on the Stabilization Manager, or its affiliates or any person acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be done at the sole and absolute discretion of the Stabilization Manager (or its affiliates or any person acting for it) and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 18,735,000 Shares, which is 15% of the Shares available under the Global Offering.

Stabilizing action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) primary stabilization, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reduction in the market price of the Shares, and (b) ancillary stabilization in connection with any primary stabilizing action, including: (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) purchasing, or agreeing to purchase, any of our Shares for the sole purchase of preventing or minimizing any reduction in the market price of our Shares; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The Stabilization Manager, its affiliates or any person acting for it may take any one or more of the stabilizing actions described above.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilization Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilization Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilization Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules under the SFO (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilization Manager (or its affiliates or any person acting for it) may choose to borrow up to 18,735,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from Sky Noon, one of the Controlling Shareholders, pursuant to a stock borrowing agreement, or acquire Shares from other sources.

The stock borrowing arrangement will only be effected by the Stabilization Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Sky Noon or its nominee, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; and (iii) such earlier time as may be agreed in writing between Sky Noon and the Stabilization Manager.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Sky Noon by the Stabilization Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

PRICING

Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Monday, June 17, 2019 and in any event, no later than Wednesday, June 19, 2019 and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter. The Offer Price will not be more than HK$4.68 per Offer Share and is expected to be not less than HK$3.64 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.skledu.com**) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, June 20, 2019. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Underwriters, may, where they deem appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.skledu.com**.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the

Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Irrespective of whether a Downward Office Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — Publication of Results".

Price Payable on Application

The Offer Price will not be more than HK$4.68 and is expected to be not less than HK$3.64, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK$4.68 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 1,000 Shares, you should pay HK$4,727.16 at the time of your application.

If the Offer Price is lower than HK$4.68, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 21, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, June 21, 2019. The Shares will be traded in board lots of 1,000 Shares each.

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;
- Eligible Employee may also make an application for the Employee Reserved Shares pursuant to the Employee Preferential Offering by using a **PINK** application form;
- apply online via **White Form eIPO** 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.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** application form. However, Eligible Employees may not apply for or indicate an interest for International Placing Shares under the International Placing.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors).

You can also or alternatively apply for Employee Reserved Shares if you satisfy the above criteria and are also an Eligible Employee.

If you apply online through **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** 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 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;
- are an associate (as defined in the Listing Rules) of any of the above; or
- are a United States person (as defined in Regulation S under the U.S. Securities Act), or a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors);
- are a person within the United States; or
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Placing.

Employee Reserved Shares

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Global Offering;

- are an associate of any of the above;
- are a United States person (as defined in Regulation S under the U.S. Securities Act), or a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application);
- are a person within the United States 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.

If you are an Eligible Employee, and want the Hong Kong Offer Shares to be issued in your own name and want your application be given preferential treatment, use a **PINK** Application Form.

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 Wednesday, June 12, 2019 to 12:00 noon on Monday, June 17, 2019 from:

(i) any of the following offices of the Hong Kong Underwriters:

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

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

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

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

First Capital Securities Limited
Unit 4512, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

(ii) any of the branches of the Bank of China (Hong Kong) Limited below:

	Branch Name	Address
Hong Kong Island	Connaught Road Central Branch	13–14 Connaught Road Central, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2–P7, Telford Plaza, No. 33 Wai Yip Street, Kowloon Bay, Kowloon
	Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon
New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1–15 Wang Pok Street, Sha Tin, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, June 12, 2019 until 12:00 noon on Monday, June 17, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** application form together with this prospectus can be collected by the Eligible Employees during the normal business hours from 9:00 a.m. on Wednesday, June 12, 2019 until 12:00 noon on Saturday, June 15, 2019 at the principal place of business of the Company at Unit 02, 3/F, Austin Plaza, No. 83 Austin Road, Kowloon, Hong Kong. Electronic copies of the **PINK** Application form and this prospectus can be viewed from the respective websites of our Company at **www.skledu.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk**.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SCHOLAR EDUCATION PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Wednesday, June 12, 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, June 13, 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, June 14, 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, June 15, 2019	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, June 17, 2019	**—**	**9:00 a.m. to 12:00 noon**

Your completed **PINK** application form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SCHOLAR EDUCATION PUBLIC OFFER" for the payment must be deposited in the collection point located at the principal place of business of the Company at Unit 02, 3/F, Austin Plaza, No. 83 Austin Road, Kowloon, Hong Kong by 12:00 noon on Saturday, June 15, 2019 being the last day for the submission of the **PINK** application forms.

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, June 17, 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (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 Cayman Companies Law, the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 participate in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisors 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 Joint Global Coordinators and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any 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 cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except in respect of Employee Reserved Shares applied under the Employee Preferential Offering, if applicable);

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

Additional instructions for the PINK application form

You may refer to the **PINK** application form for details.

5. APPLYING THROUGH WHITE FORM EIPO

General

Individuals who meet the criteria as described in the "Who Can Apply" section, may apply through **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to 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 **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, June 12, 2019 until 11:30 a.m. on Monday, June 17, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, on Monday, June 17, 2019 or such later time under the "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "SCHOLAR EDUCATION GROUP" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dong Jiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (+852) 2979 7888 or through the CCASS Internet System at **https://ip.ccass.com/** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as his agent;

- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize 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 Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 Joint Global Coordinators, the Underwriters and/or their respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any 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 the 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 Cayman Companies Law, the Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the 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 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, June 12, 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Thursday, June 13, 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Friday, June 14, 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Saturday, June 15, 2019	**—**	**8:00 a.m. to 1:00 p.m.**
Monday, June 17, 2019	**—**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, June 12, 2019 until 12:00 noon on Monday, June 17, 2019 (24 hours daily, except on June 17, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, June 17, 2019, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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 Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, June 17, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

In addition, if you are an Eligible Employee, you may also make an additional application for the Employee Reserved Shares by using the **PINK** application form. Only one application for the Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

*"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.*

*"**Statutory control**" means you:*

- *control the composition of the board of directors of the company;*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** in respect of a minimum of 1,000 Hong Kong Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** application form. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the sections headed "Structure of the Global Offering — Pricing".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 17, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, June 17, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

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 (including the Employee Preferential Offering) and the basis of allocation of the Hong Kong Offer Shares and the

Employee Reserved Shares on Thursday, June 20, 2019 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese), on our Company's website at **www.skledu.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 (including the Employee Preferential 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.skledu.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, June 20, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, June 20, 2019 to 12:00 mid-night on Wednesday, June 26, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. to 10:00 p.m. from Thursday, June 20, 2019 to Sunday, June 23, 2019 (excluding public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, June 20, 2019 to Saturday, June 22, 2019 (excluding public holiday) 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 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 Joint Global Coordinators, the Hong Kong Share Registrar, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares (including the Employee Reserved Shares) is void:

The allotment of Hong Kong Offer Shares (including the Employee Reserved 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 for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations;
- your application is for more than 50% of the Hong Kong Offer Shares excluding the Employee Reserved Shares initially offered under the Hong Kong Public Offering (i.e. 5,620,000 Shares); or
- your application under the Employee Preferential Offering is for more than 1,249,000 Employee Reserved Shares.

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$4.68 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, June 20, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** and/or **PINK** 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 and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, June 20, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

If you apply by **PINK** application form, your refund cheque(s) and share certificate(s) will be sent to our Company on Thursday, June 20, 2019 and our Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Friday, June 21, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor

Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, June 20, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, June 20, 2019 by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, June 20, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, June 20, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering (including the Employee Preferential 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 Thursday, June 20, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the White Form eIPO Service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, June 20, 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, June 20, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via electronic application instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, June 20, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering (including the Employee Preferential Offering) in the manner specified in "Publication of Results" above on Thursday, June 20, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, June 20, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, June 20, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, June 20, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor 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 set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SCHOLAR EDUCATION GROUP AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Scholar Education Group (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-64, which comprises the consolidated balance sheets as at 31 December 2016, 2017 and 2018, the company balance sheet as at 31 December 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 June 2019 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 22 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

12 June 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the years ended 31 December 2016, 2017 and 2018, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	2017	2018
	Notes	RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	*5*	170,757	375,798	493,115
Cost of sales	*8*	(114,474)	(252,310)	(306,377)
Gross profit		56,283	123,488	186,738
Selling expenses	*8*	(14,236)	(17,560)	(12,072)
Administrative expenses	*8*	(22,560)	(51,193)	(70,464)
Research and development expenses	*8*	(6,465)	(15,261)	(30,985)
Other income	*6*	100	1,560	3,541
Other gains — net	*7*	669	3,189	8,987
Operating profit		13,791	44,223	85,745
Finance costs	*10*	(655)	(2,814)	(3,186)
Profit before income tax		13,136	41,409	82,559
Income tax expense	*11*	(2,760)	(5,730)	(13,085)
Profit for the year from continuing operations		10,376	35,679	69,474
Discontinued operation				
(Loss)/profit before income tax		—	(9,518)	762
Income tax expense	*11*	—	(260)	(518)
Gains on disposal of subsidiaries after income tax	*13*	—	—	2,363
(Loss)/profit for the year from discontinued operation	*13*	—	(9,778)	2,607
Profit and total comprehensive income for the year		10,376	25,901	72,081

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000
Profit/(loss) and total comprehensive income attributable to:				
— Equity holders of the Company		10,376	29,613	72,214
— Non-controlling interests	*13*	—	(3,712)	(133)
		10,376	25,901	72,081
Profit/(loss) for the year attributable to owners of the Company arises from:				
— Continuing operations		10,376	35,679	69,474
— Discontinued operations	*13*	—	(6,066)	2,740
		10,376	29,613	72,214
Earnings/(losses) per share (expressed in RMB cents per share)				
— Continuing operations:				
Basic and diluted earnings per share	*12*	20.75	71.36	131.78
— Discontinued operations:				
Basic and diluted earnings per share	*12*	—	(12.13)	5.20
		20.75	59.23	136.98

CONSOLIDATED BALANCE SHEETS

		As at 31 December		
		2016	2017	2018
	Notes	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Property, plant and equipment	*14(a)*	64,652	116,666	106,134
Land use rights	*14(b)*	29,940	29,124	39,352
Intangible assets	*15*	32	18	1,076
Prepayments and other receivables	*17*	17,168	23,338	46,233
Deferred tax assets	*26*	2,249	8,597	13,478
Total non-current assets		114,041	177,743	206,273
Current assets				
Prepayments and other receivables	*17*	33,411	13,534	21,771
Financial assets at fair value through profit or loss	*18*	65,169	179,616	205,084
Term deposits with original maturity over 3 months	*19*	—	—	10,500
Cash and cash equivalents	*19*	2,980	24,661	37,200
Total current assets		101,560	217,811	274,555
Total assets		215,601	395,554	480,828
Equity				
Share capital	*20*	—	—	339
Share premium	*21*	—	—	52,897
Other reserves	*21*	20,274	26,027	32,664
Retained earnings/(accumulated losses)		4,700	(1,100)	29,319
Non-controlling interests		—	(3,712)	—
Total equity		24,974	21,215	115,219
Liabilities				
Non-current liabilities				
Deferred operating lease liabilities	*24*	2,878	8,959	12,969
Borrowings	*25*	32,580	29,529	26,386
Total non-current liabilities		35,458	38,488	39,355
Current liabilities				
Contract liabilities	*23*	111,729	235,900	214,701
Trade and other payables	*24*	26,549	53,345	85,958
Current income tax liabilities		4,647	6,355	9,222
Borrowings	*25*	12,244	40,251	16,373
Total current liabilities		155,169	335,851	326,254
Total liabilities		190,627	374,339	365,609
Total equity and liabilities		215,601	395,554	480,828

COMPANY BALANCE SHEET

	Notes	As at 31 December 2018 RMB'000
Assets		
Non-current assets		
Investment in a subsidiary	*33(a)*	66,347
Prepayments and other receivables	*33(b)*	35,549
Total non-current assets		101,896
Current assets		
Prepayments and other receivables	*33(b)*	5,095
Cash and cash equivalents	*33(c)*	8,986
Total current assets		14,081
Total assets		115,977
Liabilities		
Current liabilities		
Trade and other payables	*33(d)*	4,780
Equity		
Share capital	*20*	339
Share premium	*33(e)*	52,897
Other reserves	*33(e)*	66,347
Accumulated losses		(8,386)
Total equity		111,197
Total equity and liabilities		115,977

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of Company					
		Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016		—	100	(5,402)	(5,302)	—	(5,302)
Profit for the year		—	—	10,376	10,376	—	10,376
Total comprehensive income for the year		—	100	4,974	5,074	—	5,074
Transactions with owners:							
Capital injection	*21*	—	19,900	—	19,900	—	19,900
Transfer to statutory reserves	*21*	—	274	(274)	—	—	—
Balance at 31 December 2016		—	20,274	4,700	24,974	—	24,974
Balance at 1 January 2017		—	20,274	4,700	24,974	—	24,974
Profit for the year		—	—	29,613	29,613	(3,712)	25,901
Total comprehensive income for the year		—	20,274	34,313	54,587	(3,712)	50,875
Transactions with owners:							
Dividends paid	*22*	—	—	(29,660)	(29,660)	—	(29,660)
Transfer to statutory reserves	*21*	—	5,753	(5,753)	—	—	—
Balance at 31 December 2017		—	26,027	(1,100)	24,927	(3,712)	21,215

		Attributable to owners of Company						
		Share capital	Share premium	Other reserves	(Accumulated losses)/retained earnings	Total	Non-controlling interests	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		—	—	26,027	(1,100)	24,927	(3,712)	21,215
Profit for the year		—	—	—	72,214	72,214	(133)	72,081
Total comprehensive income for the year		—	—	26,027	71,114	97,141	(3,845)	93,296
Transactions with owners:								
Capital injection from shareholders								
Incorporation of the Company	*20*	315	—	—	—	315	—	315
Issuance of new shares	*20, 21*	24	106,728	—	—	106,752	—	106,752
Dividends paid	*22*	—	(53,831)	—	(35,158)	(88,989)	—	(88,989)
Transfer to statutory reserves	*21*	—	—	6,637	(6,637)	—	—	—
Disposals of subsidiaries	*13*	—	—	—	—	—	3,845	3,845
Balance at 31 December 2018		339	52,897	32,664	29,319	115,219	—	115,219

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2016	2017	2018
	Notes	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	*27(a)*	108,878	187,126	132,142
Interest received		75	168	112
Interest paid		(595)	(2,782)	(3,228)
Income taxes paid		(1,506)	(10,631)	(15,030)
Net cash inflow generated from operating activities		106,852	173,881	113,996
Cash flows from investing activities				
Payments for property, plant and equipment, land use rights and intangible assets		(102,946)	(68,184)	(53,548)
Proceeds from disposal of property, plant and equipment	*27(b)*	208	35	3,249
Payments for term deposits with initial maturities over 3 months	*27(c)*	—	—	(10,500)
Payments for purchase of financial assets at fair value through profit or loss	*18*	(311,302)	(779,826)	(1,166,540)
Proceeds from disposal of financial assets at fair value through profit or loss	*18*	269,761	669,960	1,142,662
Amounts due from shareholders		(28,010)	(861)	—
Repayment of amounts due from shareholders		—	28,010	861
Cash outflow from disposals of subsidiaries	*13(c)*	—	—	(1,544)
Net cash used in investing activities		(172,289)	(150,866)	(85,360)
Cash flows from financing activities				
Proceeds from capital contribution	*20, 21*	19,900	—	106,752
Proceeds from borrowings	*27(c)*	46,890	60,500	20,000
Repayment of borrowings	*27(c)*	(2,066)	(35,544)	(47,021)
Dividends paid to shareholders	*22*	—	(29,660)	(88,989)
Payments for listing related expenses		—	—	(3,469)
Amounts due to related parties	*27(c)*	—	3,370	—
Repayment of amounts due to related parties		—	—	(3,370)
Net cash generated from/(used in) financing activities		64,724	(1,334)	(16,097)
Net (decrease)/increase in cash and cash equivalents		(713)	21,681	12,539
Cash and cash equivalents at the beginning of the year		3,693	2,980	24,661
Cash and cash equivalents at end of the year		2,980	24,661	37,200

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Scholar Education Group, formerly known as China Yuanfang (Holding) Group Corporation (the "**Company**") was incorporated on 7 February 2018 in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is 1st Floor, Landmark Square, 64 Earth Close, PO Box 715, Grand Cayman, KY1 1107, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the provision of after school education services through academic preparation program and early primary education program (collectively the "**Listing Business**") in the People's Republic of China (the "**PRC**" or "**China**").

Mr. Chen Qiyuan is the ultimate controlling shareholder of the Company.

1.2 Reorganization

Prior to the Reorganization (as defined below), the Listing Business was mainly carried out by Shenzhen Scholar Culture and Education Technology Development Co., Ltd. (深圳市思考樂文化教育科技發展有限公司，"**Shenzhen Scholar**") a limited liability company incorporated in Shenzhen, the PRC, and its subsidiaries (the "**PRC Consolidated Affiliated Entities**").

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Group underwent a reorganization (the "**Reorganization**") to establish the Company as the ultimate holding company of the companies now comprising the Group which conducts the Listing Business. Details of the Reorganization are set out below:

(a) *Establishment of offshore group structure*

Guang Long Pentium International Co., Ltd. (廣隆奔騰國際有限公司, "**Guang Long Pentium**") was incorporated in Hong Kong as a limited liability company on 2 February 2018.

On 25 January 2018, Youshine International Co., Ltd. (煜耀國際有限公司, "**Youshine International**") was incorporated in Hong Kong as a limited liability company and on 8 February 2018, Guang Long Pentium acquired 100% equity interest in Youshine International.

On 7 February 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. One ordinary share was allotted and issued to the initial subscriber and was subsequently transferred to Sky Noon International Company Limited (天晟國際有限公司，"**Sky Noon**", wholly owned by Mr. Chen Qiyuan) on the same day. After the allotment and issuance of 49,999 new shares on the same day, Sky Noon, Magnificent Industrial Company Limited (鴻圖嘉業有限公司, "Magnificent Industrial") and Brilliant Faith Investment Company Limited (炫信投資有限公司, "**Brilliant Faith**") were beneficially interested in the issued shares of the Company in the percentage of 58.46%, 37.54% and 4%, respectively.

Sky Noon and Magnificent Industrial are parties acting in concert in accordance with the decisions and directions of Mr. Chen Qiyuan since the concert parties became interested in and possessed voting rights in the Company according to the concert party agreement.

On 13 February 2018, the Company acquired 100% equity interest in Guang Long Pentium.

(b) *Disposal of subsidiaries*

In March 2018, Shenzhen Scholar entered into an equity transfer and debt arrangement agreement to dispose of Shenzhen America Education and Training Co., Ltd. ("**Shenzhen America**") (深圳市阿美睿卡教育培訓有限公司), pursuant to which Shenzhen Scholar transferred its 70% equity interest in Shenzhen America at a consideration of RMB1 and waived the amount due from Shenzhen America amounting to RMB3,913,000.

In April 2018, Shenzhen Scholar entered into an equity transfer to dispose of Shenzhen Unique Education and Technology Development Co., Ltd. ("**Shenzhen Unique**") (深圳市優教優學教育科技發展有限公司), pursuant to which Shenzhen Scholar transferred 1%, 29% and 30% equity interest in Shenzhen Unique at a consideration of RMB1 each respectively.

For further details, please refer to Note 13.

(c) *Establishment of FengYe (Shenzhen) Science and Technology Co., Ltd. (*楓燁(深圳)科技有限公司*, "**Shenzhen Fengye**")*

On 2 April 2018, Shenzhen Fengye was established by Youshine International as a wholly owned foreign enterprise.

(d) *Arrangements to control the PRC Consolidated Affiliated Entities*

On 9 April 2018, Shenzhen Fengye entered into various agreements ("**Structured Contracts**") with Shenzhen Scholar and its equity holders, under which all economic benefits arising from the business and operations of the PRC Consolidated Affiliated Entities are transferred to Shenzhen Fengye. Accordingly, the PRC Consolidated Affiliated Entities are treated as controlled structured entities of Shenzhen Fengye and ultimately controlled by the Company. For further details of the Structured Contracts, please refer to Note 2.2.1.

(e) *Investment by CRE Glory Company Limited (*華創煜耀有限公司*, "**CREG**")*

On 16 April 2018, Sky Noon, Magnificent Industrial, and Brilliant Faith transferred 2,481 shares, 1,521 shares and 241 shares of the Company to CREG for a consideration at RMB78,345,310, RMB48,057,865 and RMB7,611,424, respectively.

On 17 April 2018, the authorized and issued share capital of the Company increased from 50,000 shares to 53,831 shares by the creation of an additional 3,831 shares allotted and issued to CREG at a consideration of RMB106,751,825. Sky Noon, Magnificent Industrial, Brilliant Faith and CREG were beneficially interested in the issued shares of the Company in the percentage of 49.69%, 32.04%, 3.27% and 15.00%, respectively.

The Group had direct or indirect interest in the following subsidiaries during the Track Record Period and as of the date of this report:

Company Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/registered capital	Equity/beneficial interest held as at 31 December			Equity/ beneficial interest held as at the date of report	Notes
				2016	2017	2018		
				%	%	%	%	
Directly interest								
Guang Long Pentium	Hong Kong/2 February 2018	Investment holding/ Hong Kong	HK$10,000/ HK$10,000	N/A	N/A	100	100	(a)
Indirectly interest								
Youshine International	Hong Kong/15 January 2018	Investment holding/ Hong Kong	HK$10,000/ HK$10,000	N/A	N/A	100	100	(a)
Shenzhen Fengye	The PRC/2 April 2018	Internet and software technology development and service/The PRC	RMB10,000,000/ RMB10,000,000	N/A	N/A	100	100	(a)
Shenzhen Scholar	The PRC/4 January 2012	Education service/The PRC	RMB20,000,000/ RMB20,000,000	100	100	100	100	(b)
Shenzhen Scholar Education and Training Center (深圳市思考樂教育培訓中心)	The PRC/30 July 2014	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100	100	100	100	(b)
Xiamen Scholar Education Service Co., Ltd. (廈門市思考樂教育服務有限公司)	The PRC/13 April 2016	Education service/The PRC	RMB1,000,000/ RMB1,000,000	100	100	100	100	(a)
Shenzhen Unique	The PRC/26 June 2017	Education service/The PRC	RMB-/ RMB1,000,000	N/A	60	N/A	N/A	(a)
Dongguan Scholar Education and Culture Development Co., Ltd. (東莞市思考樂教育文化發展有限公司)	The PRC/23 January 2017	Education service/The PRC	RMB1,000,000/ RMB1,000,000	N/A	100	100	100	(a)
Shenzhen America	The PRC/4 August 2017	Education service/The PRC	RMB-/ RMB1,000,000	N/A	70	N/A	N/A	(a)
Huizhou Scholar Education and Consultation Co., Ltd. (惠州市思考樂教育諮詢有限公司)	The PRC/23 November 2017	Education service/The PRC	RMB-/ RMB1,000,000	N/A	100	100	100	(a)
Huizhou Scholar Education Technology Co., Ltd. (惠州市思考樂教育科技有限公司)	The PRC/ 22 October 2018	Education service/The PRC	RMB-/ RMB1,000,000	N/A	100	100	100	(a)
Foshan Scholar Culture Co., Ltd. (佛山市思考樂文化有限公司)	The PRC/25 December 2017	Education service/The PRC	RMB800,000/ RMB1,000,000	N/A	100	100	100	(a)

Company Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/registered capital	Equity/beneficial interest held as at 31 December			Equity/ beneficial interest held as at the date of report	Notes
				2016	2017	2018		
				%	%	%	%	
Xiamen Siming District Scholar Education and Training School (廈門市思明區思考樂教育培訓學校)	The PRC/12 March 2018	Education service/The PRC	RMB1,000,000/ RMB1,000,000	N/A	N/A	100	100	(a)
Foshan Nanhai District Scholar Education and Training Center Co., Ltd. (佛山市南海區思考樂教育培訓中心有限公司)	The PRC/20 August 2018	Education service/The PRC	RMB500,000/ RMB500,000	N/A	N/A	100	100	(a)
Dongguan Houjie Scholar Training Center Co., Ltd. (東莞市厚街思考樂培訓中心有限公司)	The PRC/16 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	N/A	N/A	100	100	(a)
Dongguan Dalang Scholar Training Center Co., Ltd. (東莞市大朗思考樂培訓中心有限公司)	The PRC/5 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	N/A	N/A	100	100	(a)
Dongguan Guancheng Scholar Training Center Co., Ltd. (東莞市莞城思考樂培訓中心有限公司)	The PRC/9 April 2018	Education service/The PRC	RMB150,000/ RMB150,000	N/A	N/A	100	100	(a)
Dongguan Wanjiang Scholar Training Center Co., Ltd. (東莞市萬江思考樂培訓中心有限公司)	The PRC/1 March 2018	Education service/The PRC	RMB150,000/ RMB150,000	N/A	N/A	100	100	(a)
Dongguan Humen Scholar Training Center Co., Ltd. (東莞市虎門思考樂培訓中心有限公司)	The PRC/9 April 2018	Education service/The PRC	RMB100,000/ RMB100,000	N/A	N/A	100	100	(a)
Dongguan Dongcheng Scholar Training Center Co., Ltd. (東莞市東城思考樂培訓中心有限公司)	The PRC/5 February 2018	Education service/The PRC	RMB100,000/ RMB100,000	N/A	N/A	100	100	(a)
Dongguan Guancheng Diwang Scholar Training Center Co., Ltd. (東莞市莞城地王思考樂培訓中心有限公司)	The PRC/10 April 2018	Education service/The PRC	RMB100,000/ RMB100,000	N/A	N/A	100	100	(a)

Company Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid-in capital/registered capital	Equity/beneficial interest held as at 31 December			Equity/ beneficial interest held as at the date of report	Notes
				2016 %	2017 %	2018 %	%	
Dongguan Dongcheng Dongtai Scholar Training Center Co., Ltd. (東莞市東城東泰思考樂培訓中心有限公司)	The PRC/2 March 2018	Education service/The PRC	RMB100,000/ RMB100,000	N/A	N/A	100	100	(a)
Dongguan Changan Scholar Training Center Co., Ltd. (東莞市長安思考樂培訓中心有限公司)	The PRC/21 September 2018	Education service/The PRC	RMB100,000/ RMB100,000	N/A	N/A	100	100	(a)

(a) No statutory audited financial statements have been prepared for these companies.

(b) The statutory financial statements of these subsidiaries for each of the years ended 31 December 2016 and 2017 were audited by Shenzhen GaoXinHuaYuan CPA (深圳高信華源會計師事務所), and the statutory audited financial statements for the year ended 31 December 2018 for these companies have not been prepared yet as at the date of report.

* The English names of companies established in the PRC are translations of their Chinese names at the best effort of the directors of the Company as they do not have official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the listing business was carried out by Shenzhen Scholar and its subsidiaries. Pursuant to the Reorganization, the Listing Business are effectively controlled by Shenzhen Scholar, and ultimately controlled by the Company, through direct equity holding and the Structured Contracts.

The Company and those companies newly set up during the Reorganization have not been involved in any other business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business and does not result in any changes in business substance, management or the ultimate controlling shareholder of the Listing Business. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealized gains/losses on transactions between Group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations issued by the International Accounting Standards Board (the "**IASB**"). The Historical Financial Information has been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss (**FVPL**), which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(a) Going concern

As at 31 December 2016, 2017 and 2018, the Group's current liabilities exceeded its current assets by RMB53,609,000, RMB118,040,000 and RMB51,699,000 respectively. The net current liabilities of the Group as at 31 December 2016, 2017 and 2018 was primarily due to the Group's contract liabilities of RMB111,729,000, RMB235,900,000 and RMB214,701,000 respectively. The directors of the Company has reviewed the Group's cash flow projections, which covered a period of not less than 12 months from 31 December 2018. Given that the contract liabilities will be settled by education services provided by the Group rather than settled by cash, and taking into account the financial resources available to the Group, including the internally generated funds from operation and existence of significant balances of bank deposits and wealth management products, the directors considered that there are sufficient financial resources available to the Group to meet its financial liabilities as and when they fall due in coming 12 months from 31 December 2018. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

(b) New and revised standards adopted

IFRS 9, "Financial instruments" and IFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied IFRS 9 and IFRS 15 which have been applied consistently in the Track Record Period.

(c) New and revised standards, amendments and interpretations to existing standards that have been issued but are not effective for the Track Record Period and have not been early adopted.

Standards and amendments	**Effective for the financial period beginning on or after**
Standards and amendments	Effective for the financial period beginning on or after
IFRS16 "Leases" (i)	1 January 2019
Amendments to IFRSs "Annual Improvements to IFRS Standards 2015–2017 Cycle"	1 January 2019
Amendments to IFRS9 "Prepayment Features with Negative Compensation"	1 January 2019
Amendments to IAS19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to IAS28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
IFRIC23 "Uncertainty over Income Tax Treatments"	1 January 2019
IFRS17 "Insurance contracts"	1 January 2021
Amendments to IAS1 and IAS8 "Definition of Material"	1 January 2020
Amendments to IFRS3 "Definition of Business"	1 January 2020
Amendments to IFRS10 and IAS28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined

Based on the Group's current assessment, the directors of the Company do not expect a material impact on the Group's financial position and performance as a result of the adoption of this new standard when it becomes effective, except for following:

(i) *IFRS 16, "Leases"*

Under IFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in profit or loss. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognized for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The Group is a lessee of certain teaching centers which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.24, is to record the rental expenses in Group's profit or loss for the current year with the disclosure of related future minimum lease payments as operating lease commitments (Note 28(a)). As at 31 December 2018, the Group's total non-cancellable operating lease commitments amounted to RMB319,746,000. The Group expects to derecognize prepaid lease payments, recognize right-of-use assets amounted to approximately RMB266,389,000 (after adjustments for prepaid and accrued lease expenses recognized as at 31 December 2018) and recognize lease liabilities amounted to approximately RMB266,738,000 in the consolidated balance sheets on 1 January 2019.

In profit or loss, as a result, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase.

Operating cash flows expects to increase and financing cash flows expects to decrease as repayment of the principal portion of the lease liabilities which will be classified as cash flows from financing activities.

Given that the total right-of-use assets account for 55% of the total assets of the Group as at 31 December 2018, and the lease liabilities account for 73% of the total liabilities of the Group as at 31 December 2018, the directors of the Company expect that the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. As of 31 December 2018, most of the Group's lease contracts are in the earlier periods of the lease terms. The combination of the straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the lease liabilities will result in a higher total charge to profit and loss for the year ending 31 December 2019. The Group expects that profit before income tax will decrease by approximately RMB6,288,000 for the year ending 31 December 2019 as a result of adopting the new standard based on the existing leases as at 31 December 2018.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with existing standard and interpretation.

2.2 Principles of consolidation

2.2.1 *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to obtain variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Subsidiaries controlled through Structured Contracts*

As part of the Reorganization, a wholly-owned subsidiary of the Company, Shenzhen Fengye, has entered into the Structured Contracts with Shenzhen Scholar and its registered equity holders, which enable Shenzhen Fengye and the Group to:

- Exercise effective control over the PRC Consolidated Affiliated Entities;

- Exercise equity holders' voting rights of the PRC Consolidated Affiliated Entities;

- Receive substantially all of the economic interests and returns generated by the PRC Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Shenzhen Fengye, at Shenzhen Fengye's discretion;

- Obtain an irrevocable and exclusive right to purchase all equity interests in Shenzhen Scholar from its registered equity holders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered equity holders of Shenzhen Scholar shall return the amount of purchase consideration they have received to Shenzhen Fengye. At Shenzhen Fengye's request, the registered equity holders of Shenzhen Scholar will promptly and unconditionally transfer their respective equity interests of Shenzhen Scholar to Shenzhen Fengye (or its designee within the Group) after Shenzhen Fengye exercises its purchase right; and

- Obtain pledges over the entire equity interests in Shenzhen Scholar from its registered equity holders to secure, among others, performance of their obligations under the Structured Contracts.

The Group does not have any equity interest in the PRC Consolidated Affiliated Entities. However, as a result of the Structured Contracts, the Group has rights to variable returns from its involvement with the PRC Consolidated Affiliated Entities and has the ability to affect those returns through its power over the PRC Consolidated Affiliated Entities and is considered to control the PRC Consolidated Affiliated Entities. Consequently, the Company regards the PRC Consolidated Affiliated Entities as indirect subsidiaries under IFRSs.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group direct control over the PRC Consolidated Affiliated Entities, and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Agreements with the PRC Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognized in other comprehensive income are reclassified to the consolidated statements of comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.2.2 ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("**CODM**") in deciding how to allocate resources and assess performance. The Group's CODM has been identified as the Board of Directors, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

2.4 Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The functional currency of the Company is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB(unless otherwise stated).

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity instrument measured at fair value through other comprehensive income (FVOCI) are recognized in other comprehensive income.

(c) ***Group companies***

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(d) ***Disposal of foreign operation and partial disposal***

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	35–57 years
Office equipment	3 years
Leasehold improvements	5 years or remaining lease term, whichever is shorter
Motor vehicles	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other gains — net" in the consolidated statements of comprehensive income.

2.6 Intangible assets

(a) ***Computer software***

Acquired computer software stated at historical cost less amortization. Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Computer software primarily includes teaching platforms with indefinite license period and accounting software. The computer software is amortized on a straight-line basis over the estimated useful lives from two to ten years.

2.7 Land use rights

Prepaid land lease payments are up-front payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted. Amortization of prepaid land lease payments is calculated on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC and is recognized in profit or loss.

2.8 Research and development costs

Costs associated with research activities are recognized as an expense as incurred. Development cost (related to design and test of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible assets;
- The Group has the ability to use or sell the intangible asset;

- The Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and

- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

2.10.1 ***Classification***

The Group classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 ***Recognition and derecognition***

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 ***Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other financial asset at amortized cost is measured as either 12-month expected credit losses or life time expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Other receivables

Majority of other receivables are lease deposits and loans to employees. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 3 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting year.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.20 Employee benefits

(a) ***Pension obligations***

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post- retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) ***Housing funds, medical insurances and other social insurances***

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) ***Termination benefits***

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognized by the Group (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

Revenue is recognized when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer;
- Creates or enhances an asset that the customer controls as the Group performs; or
- Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognized are described below.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group's revenue is primarily derived from provision of i) after-school education services, ii) English-focused tutoring services and iii) one-on-one and small-class tutoring services.

Education services fees contain the provision of the tutoring services and course materials. These components are highly relevant and regarded as one performance obligation.

Education services fees are generally received in advance prior to the beginning of each academic term. Education services fees are recognized proportionately over the relevant course schedule in which the services are rendered. The portion of education services fees received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and which will be earned beyond one year is reflected as a non-current liability.

2.23 Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.24 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) ***Market risk***

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is RMB whereas functional currency of the subsidiaries operate in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group does not hedge against any fluctuation in foreign currencies during the Track Record Period.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities.

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group currently has not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As at 31 December 2016, 2017 and 2018, all of the borrowings are at variable rates.

The tables below analyze the Group's borrowing into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Floating rate			
Expiring within 1 year	12,244	40,251	16,373
Between 1 and 2 years	3,051	3,173	3,332
Between 2 and 5 years	10,004	10,506	11,034
Over 5 years	19,525	15,850	12,020
	44,824	69,780	42,759

Sensitivity

	Impact on post tax profit		
	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest rates — increase by 100 basis points	(93)	(430)	(512)
Interest rates — decrease by 100 basis points	93	430	512

(iii) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, term deposits with original maturity over 3 months, trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's amounts due from related parties have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

Cash and cash equivalents and term deposits with original maturity over 3 months.

As at 31 December 2016, 2017 and 2018, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high-credit-quality without significant credit risk.

Other receivables

Other receivables at the end of each reporting period were mainly due from directors and key management personnel and lease deposits. The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the company;
- Significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/ repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 365 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 December 2016, 2017 and 2018, management considers other receivables and amounts due from related parties as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognized during the Track Record Period for these balances and the expected credit rate are close to zero and no provision was made as at 31 December 2016, 2017 and 2018.

(b) ***Liquidity risk***

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilizing bank financing. The directors consider the Group is not exposed to significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at each reporting year).

	within 1 year	1 to 2 years	2 to 5 years	over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016					
Trade payables	897	—	—	—	897
Other payables	3,954	—	—	—	3,954
Borrowings	13,984	4,583	13,659	21,977	54,203
	18,835	4,583	13,659	21,977	59,054
As at 31 December 2017					
Trade payables	2,373	—	—	—	2,373
Other payables	12,642	—	—	—	12,642
Borrowings	41,783	4,554	13,660	17,423	77,420
	56,798	4,554	13,660	17,423	92,435
As at 31 December 2018					
Trade payables	2,653	—	—	—	2,653
Other payables	15,019	—	—	—	15,019
Borrowings	18,243	4,553	13,660	12,899	49,355
	35,915	4,553	13,660	12,899	67,027

3.2 Capital management

The Group's objectives when managing capital are to

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and

- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure. In the opinion of the directors of the company, the Group's capital risk is low.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016, 2017 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

See Note 18 for disclosure of the financial assets at FVPL.

Financial instruments at fair value as at 31 December 2016 were as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Asset				
Financial assets at FVPL	—	—	65,169	65,169

Financial instruments at fair value as at 31 December 2017 were as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Asset				
Financial assets at FVPL	—	—	179,616	179,616

Financial instruments at fair value as at 31 December 2018 were as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Asset				
Financial assets at FVPL	—	—	205,084	205,084

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

There were no changes in valuation techniques during the years ended 31 December 2016, 2017 and 2018.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2016, 2017 and 2018.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial assets at FVPL. As these instruments are not traded in an active market, their fair values is estimated by discounting the cash flows approach with reference to the quoted price by the financial institution. Major assumptions used in the valuation of financial assets at FVPL is presented in Note 18.

If the fair values of financial assets at FVPL held by the Group had been 1% higher/lower, the profit before income tax for the years ended 31 December 2016, 2017 and 2018 would have been approximately RMB489,000 higher/lower, RMB1,473,000 higher/lower and RMB1,720,000 higher/lower, respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

(a) Structured Contracts

As disclosed in Note 2.2.1, the Group conducts its business through PRC Consolidated Affiliated Entities. Due to the regulatory restrictions on the foreign ownership of the Listing Business in the PRC, the Group does not have any equity interest in certain PRC Consolidated Affiliated Entities. The directors assessed whether or not the Group has control over those PRC Consolidated Affiliated Entities by assessing whether it has the rights to variable returns from its involvement with those PRC Consolidated Affiliated Entities and has the ability to affect those returns through its power over those PRC Consolidated Affiliated Entities. After assessment, the directors concluded that the Group has control over those PRC Consolidated Affiliated Entities as a result of the Structured Contracts and accordingly the financial position and the operating results of those PRC Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the Structured Contracts may not be as effective as direct legal ownership in providing the Group with direct control over those PRC Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of those PRC Consolidated Affiliated Entities. The directors, based on the advice of its legal counsel, consider that the Structured Contracts with those PRC Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realization of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(c) Income taxes

The Company's subsidiaries are subject to income taxes in Hong Kong and China. Significant judgement is required in determining the amount of the provision for income taxes (such as the determination of the profits derived from offshore businesses) and the timing of payment of related taxes (Note 11).

The recognition of deferred income tax assets is recognized for tax losses and temporary differences to the extent that the realization of the related tax benefit through the future taxable profit is probable. The calculation of the future taxable profit involves judgements and estimates together with the considerations of the Group's tax planning strategy and the impact of the macro economic conditions. Different judgements and estimates may affect the recognition and measurement of the deferred income tax assets.

5. REVENUE AND SEGMENT INFORMATION

As a result of evaluation by CODM, the Group determined that it has operating segments as follows:

- After-school education services;
- English-focused tutoring services;
- One-on-one and small-class tutoring services.

During the Track Record Period, the Group offered overseas test preparation services through Shenzhen America and personalized tutoring services through Shenzhen Unique.

The CODM assesses the performance of the operating segment mainly based on segment revenues, segment cost of sales and segment gross profit. Assets and liabilities are regularly reviewed on a consolidated basis.

During the Track Record Period, all segment revenue are from external customers, have no inter-segment revenue.

	Year ended 31 December 2016			
	After-school education services	**English-focused tutoring**	**One-on-one and small tutoring services**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total segment revenue	170,757	—	—	170,757
Total segment cost of sales	(114,474)	—	—	(114,474)
Gross profit	56,283	—	—	56,283

	Year ended 31 December 2017			
	After-school education services	**English-focused tutoring**	**One-on-one and small tutoring services**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total segment revenue	375,798	17	41,219	417,034
Total segment cost of sales	(252,310)	(1,292)	(38,870)	(292,472)
Gross profit	123,488	(1,275)	2,349	124,562

	Year ended 31 December 2018			
	After-school education services	English-focused tutoring	One-on-one and small tutoring services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	493,115	99	20,965	514,179
Total segment cost of sales	(306,377)	(1,080)	(17,986)	(325,443)
Gross profit	186,738	(981)	2,979	188,736

The Group's principal market is in Guangdong province, most of the Group's revenue and operating profit are derived within Guangdong province of the PRC, and all of the Group's operations and non-current assets are located in Guangdong province of the PRC. Accordingly, no geographical segment information is presented.

The Group has a large number of customers, no single customer accounted for more than 10% of the Group's total revenue during the Track Record Period.

In March and April 2018, the Group decided to dispose Shenzhen America and Shenzhen Unique to discontinue the English-focused tutoring and one-on-one and small-class tutoring services; details of the disposals are presented in Note 13.

Revenue of the Group of continuing operations for the years ended 31 December 2016, 2017 and 2018 are set out as below:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Recognized over time			
— After-school education services	170,757	375,798	493,115

6. OTHER INCOME

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Sub-lease (a)			
— Sub-lease income	—	8,303	14,482
— Sub-lease expense	—	(6,919)	(12,368)
Finance income	75	165	111
Government grants	25	11	1,316
	100	1,560	3,541

(a) The Group sub-lease a portion of its teaching centres to Shenzhen Unique, pricing of sub-lease income was determined with reference to the actual rental expense with a mark-up agreed by both parties. For the years ended 31 December 2017 and 2018, total sub-lease income charged to Shenzhen Unique amounted to RMB7,293,000 and RMB13,041,000 respectively. The corresponding lease expenses recorded by Shenzhen Unique amounted to RMB7,293,000 and RMB3,132,000 were included in the discontinued operations before the disposal of Shenzhen Unique in April 2018 as mentioned in Note 13.

7. OTHER GAINS — NET

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at FVPL	1,086	4,230	10,516
Net gains/(losses) on disposal of property, plant and equipment	5	(372)	(1,059)
Others	(422)	(669)	(470)
	669	3,189	8,987

8. EXPENSES BY NATURE

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Employee benefit expenses *(Note 9)*	95,525	189,626	257,916
Rental expenses	22,100	58,853	71,239
Advertising and exhibition expenses	12,372	12,662	6,282
Office expenses	5,974	14,535	6,219
Depreciation and amortization *(Notes 14 and 15)*	4,802	16,703	21,555
Teaching materials	4,283	11,822	13,552
Property management expenses	2,259	6,725	6,843
Utilities	1,667	5,021	5,131
Maintenance cost	1,608	2,042	3,308
Other taxes	778	1,430	2,007
Professional service fees	767	2,300	973
Auditor's remuneration	6	94	9
Entertainment and activities expenses	640	2,092	2,396
Travel and transportation	581	1,856	1,245
Recruitment expenses	530	1,015	810
Listing expenses	—	—	14,381
Others	3,843	9,548	6,032
	157,735	336,324	419,898

9. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonus	92,851	181,584	246,254
Defined contribution plan	1,646	4,914	6,575
Other social security costs and housing fund	1,028	3,128	5,087
	95,525	189,626	257,916

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2016, 2017 and 2018 include 2, 1 and 1 directors respectively, whose emoluments are reflected in the analysis shown in Note 30. The emoluments payable to the remaining 3, 4 and 4 individuals during the years ended 31 December 2016, 2017 and 2018 respectively are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Wages, salaries and bonus	1,102	1,608	2,647
Defined contribution plan	8	13	14
Other social security costs and housing fund	3	4	12
	1,113	1,625	2,673

(c) The emoluments fell within the following bands:

	Number of individuals for the year ended 31 December		
	2016	**2017**	**2018**
Emolument band			
Nil — HK$1,000,000	3	4	4

During the Track Record Period, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Interest expenses on bank borrowings	655	2,814	3,186

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax			
— Current tax on profits for the year	4,647	12,338	18,484
Deferred income tax			
— Increase in deferred income tax *(Note 26)*	(1,887)	(6,348)	(4,881)
Income tax expense	2,760	5,990	13,603
Income tax expense is attributable to:			
— Continuing operations	2,760	5,730	13,085
— Discontinued operations	—	260	518
	2,760	5,990	13,603

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities were as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit/(loss) before income tax:			
— Continuing operations	13,136	41,409	82,559
— Discontinued operations	—	(9,518)	762
	13,136	31,891	83,321
Tax calculated at tax rates applicable to profit in the respective companies	3,284	7,973	23,004
Tax effects of:			
— Preferential tax policies (c)	—	(3,985)	(8,337)
— Expenses not deductible for tax purposes	123	30	28
— Research and development super deduction (d)	(647)	(667)	(1,420)
— Unrecognised tax losses	—	2,639	328
	2,760	5,990	13,603

(a) Cayman Islands corporate 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 exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax has been provided for as the Group has no assessable profit arising in Hong Kong.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Scholar has obtained its qualification as a "High and New Technology Enterprise" ("**HNTE**") in December 2017, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2017 to 2019 according to the relevant PRC laws and regulations applicable to the HNTE.

(d) Research and development super deduction

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses before 2018 and 175% since 2018 so incurred as tax deductible expenses when determining their assessable profits for that year.

12. EARNINGS PER SHARE

(a) Basic earnings/losses per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016, 2017 and 2018. The weighted average number of ordinary shares has been retrospectively adjusted for the effects of the shares issued on 7 February 2018 in connection with the Reorganization and the share split on 3 June 2019 as disclosed in Note 32 on the assumption that the Reorganization and the share split had been in effect on 1 January 2016.

	Year ended 31 December		
	2016	2017	2018
Earnings/(losses) attributable to equity holders of the Company (in RMB thousands)			
— Continuing operations	10,376	35,679	69,474
— Discontinued operations	—	(6,066)	2,740
	10,376	29,613	72,214
Weighted average number of ordinary shares in issue	50,000,000	50,000,000	52,718,436
Basic earnings/(losses) per share (expressed in RMB cents per share)			
— Continuing operations	20.75	71.36	131.78
— Discontinued operations	—	(12.13)	5.20
	20.75	59.23	136.98

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the Track Record Period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

13. DISCONTINUED OPERATIONS

In March 2018, the Group entered into an agreement for waiver of the amount due from Shenzhen America amounting to RMB3,913,000 and sale of 70% equity interest in Shenzhen America at a consideration of RMB1. Shenzhen America was established in July 2017 and the principal activity of Shenzhen America is the provision of English-focused tutoring services.

In April 2018, the Group entered into an agreement for sale of 60% equity interest in Shenzhen Unique at a consideration of RMB3. Shenzhen Unique was established in July 2017 and the principal activity of Shenzhen Unique is the provision of one-on-one and small-class tutoring services.

(a) The aggregated results of the discontinued operations of Shenzhen America and Shenzhen Unique for the years ended 31 December 2016, 2017 and 2018 are set out below:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	—	41,236	21,064
Cost of sales	—	(40,162)	(19,066)
Gross profit	—	1,074	1,998
Selling expenses	—	(2,578)	(1,087)
Administrative expenses	—	(6,969)	(2,934)
Research and development expenses	—	(1,671)	(1,128)
Other income	—	3	1
Other gains — net	—	623	3,912
Operating (loss)/profit	—	(9,518)	762
Finance costs	—	—	—
(Loss)/profit before income tax	—	(9,518)	762
Income tax expense	—	(260)	(518)
(Loss)/profit and total comprehensive (loss)/income for the year	—	(9,778)	244
Gains on disposals of subsidiaries after income tax *(Note 13(c))*	—	—	2,363
(Loss)/profit for the year from discontinued operations	—	(9,778)	2,607
(Loss)/profit and total comprehensive (loss)/income attributable to:			
— Equity holders of the Company	—	(6,066)	2,740
— Non-controlling interests	—	(3,712)	(133)
	—	(9,778)	2,607

(b) The aggregated cash flow incurred by Shenzhen America and Shenzhen Unique for the years ended 31 December 2016, 2017 and 2018 are set out below:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	—	13,654	(317)
Cash flows from investing activities	—	(11,812)	19
Cash flows from financing activities	—	—	—
Net cash flows	—	1,842	(298)

(c) Details of the gains and net cash outflow from disposal of Shenzhen America and Shenzhen Unique at the date of completion of the disposals are as follow:

	Shenzhen America	Shenzhen Unique	Total
	RMB'000	RMB'000	RMB'000
Current assets	382	19,070	19,452
Including: cash and cash equivalents	363	1,181	1,544
Current liabilities	(2,164)	(44,508)	(46,672)
Net current liabilities	(1,782)	(25,438)	(27,220)
Non-current assets	2,098	15,588	17,686
Non-current liabilities	—	—	—
Non-current net assets	2,098	15,588	17,686
Net assets/(liabilities)	316	(9,850)	(9,534)
Accumulated non-controlling interests	(95)	3,940	3,845
	221	(5,910)	(5,689)
Consideration	—	—	—
Waiver of debts	(3,913)	—	(3,913)
Income tax effect of waiver of debts	587	—	587
(Loss)/gain on disposals	(3,547)	5,910	2,363

14. PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

(a) Property, plant and equipment

	Buildings	Office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016					
Cost	—	794	6,240	121	7,155
Accumulated depreciation	—	(247)	(1,940)	(46)	(2,233)
Net book amount	—	547	4,300	75	4,922
Year ended 31 December 2016					
Opening net book amount	—	547	4,300	75	4,922
Additions	44,447	1,773	16,927	1,451	64,598
Disposals	—	—	(203)	—	(203)
Depreciation charge	(201)	(503)	(3,936)	(25)	(4,665)
Closing net book amount	44,246	1,817	17,088	1,501	64,652
As at 31 December 2016					
Cost	44,447	2,567	22,715	1,571	71,300
Accumulated depreciation	(201)	(750)	(5,627)	(70)	(6,648)
Net book amount	44,246	1,817	17,088	1,501	64,652
Year ended 31 December 2017					
Opening net book amount	44,246	1,817	17,088	1,501	64,652
Additions	—	10,772	59,739	167	70,678
Disposals	—	(5)	(402)	—	(407)
Depreciation charge	(1,207)	(2,574)	(14,200)	(276)	(18,257)
Closing net book amount	43,039	10,010	62,225	1,392	116,666
As at 31 December 2017					
Cost	44,447	13,332	82,052	1,738	141,569
Accumulated depreciation	(1,408)	(3,322)	(19,827)	(346)	(24,903)
Net book amount	43,039	10,010	62,225	1,392	116,666

	Buildings	Office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018					
Opening net book amount	43,039	10,010	62,225	1,392	116,666
Additions	5,648	3,655	23,958	106	33,367
Disposals of subsidiaries	—	(1,707)	(15,979)	—	(17,686)
Disposals	—	(143)	(4,260)	—	(4,403)
Depreciation charge	(1,207)	(4,154)	(16,135)	(314)	(21,810)
Closing net book amount	47,480	7,661	49,809	1,184	106,134
As at 31 December 2018					
Cost	50,095	14,379	79,571	1,844	145,889
Accumulated depreciation	(2,615)	(6,718)	(29,762)	(660)	(39,755)
Net book amount	47,480	7,661	49,809	1,184	106,134

Depreciation expenses have been charged to profit or loss as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cost of sales	4,031	15,018	18,020
Administrative expenses	634	3,239	3,790
	4,665	18,257	21,810

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Depreciation expense is attributable to:			
— Continuing operations	4,665	15,873	20,662
— Discontinued operations	—	2,384	1,148
	4,665	18,257	21,810

As at 31 December 2016, 2017 and 2018, the Group's buildings with net book amounts of RMB44,246,000, RMB43,039,000 and RMB41,832,000 respectively were pledged to a bank to secure certain banking borrowings of the Group (Note 25).

(b) Land use rights

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
As at the beginning of the year			
Cost	—	30,076	30,076
Accumulated amortization	—	(136)	(952)
Net book amount	—	29,940	29,124
Opening net book amount	—	29,940	29,124
Additions	30,076	—	11,044
Amortization	(136)	(816)	(816)
Closing net book amount	29,940	29,124	39,352
As at the end of the year			
Cost	30,076	30,076	41,120
Accumulated amortization	(136)	(952)	(1,768)
Net book amount	29,940	29,124	39,352

As at 31 December 2016, 2017 and 2018, the Group's land use rights with net book amounts of RMB29,940,000, RMB29,124,000 and RMB28,308,000 respectively were pledged to a bank to secure certain banking borrowings of the Group (Note 25).

During the years ended 31 December 2016, 2017 and 2018, amortization charge of RMB136,000, RMB816,000 and RMB816,000 has been expensed in administrative expenses respectively, and all attributed to continuing operations.

15. INTANGIBLE ASSETS

	Computer software
	RMB'000
As at 1 January 2016	
Cost	—
Accumulated amortization	—
Net book amount	—
Year ended 31 December 2016	
Opening net book amount	—
Additions	33
Amortization charge	(1)
Closing net book amount	32
As at 31 December 2016	
Cost	33
Accumulated amortization	(1)
Net book amount	32
Year ended 31 December 2017	
Opening net book amount	32
Amortization charge	(14)
Closing net book amount	18
As at 31 December 2017	
Cost	33
Accumulated amortization	(15)
Net book amount	18
Year ended 31 December 2018	
Opening net book amount	18
Additions	1,135
Amortization charge	(77)
Closing net book amount	1,076
As at 31 December 2018	
Cost	1,168
Accumulated amortization	(92)
Net book amount	1,076

Amortization charges were expensed in administrative expenses in profit or loss, and all attributed to continuing operations.

16. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost	Financial assets at FVPL
	RMB'000	RMB'000
As at 31 December 2016		
Other receivables	38,566	—
Financial assets at FVPL	—	65,169
Cash and cash equivalents	2,980	—
	41,546	65,169
As at 31 December 2017		
Other receivables	21,593	—
Financial assets at FVPL	—	179,616
Cash and cash equivalents	24,661	—
	46,254	179,616
As at 31 December 2018		
Other receivables	24,629	—
Financial assets at FVPL	—	205,084
Term deposit with original maturity over 3 months	10,500	—
Cash and cash equivalents	37,200	—
	72,329	205,084

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial liabilities at amortized cost			
Trade payables	897	2,373	2,653
Other payables	4,020	12,740	15,074
Borrowings	44,824	69,780	42,759
	49,741	84,893	60,486

17. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Included in non-current assets			
Lease deposits	8,929	17,593	17,486
Prepayments for leasehold improvements	8,239	5,745	5,747
Prepayments (a)			15,000
Prepayments for property, plant, equipment and land use rights	—	—	8,000
	17,168	23,338	46,233
Included in current assets			
Amounts due from directors and key management personnel (b)	28,210	1,061	—
Amounts due from shareholders *(Note 29(c)(i))*	—	—	315
Cash advances to employees (c)	496	1,929	882
Loans to employees (d)	—	—	840
Lease deposits	532	220	1,301
Prepayments for listing related expenses	—	—	4,780
Prepayments (e)	3,774	9,534	9,848
Other receivables	399	790	3,805
	33,411	13,534	21,771

As at 31 December 2016, 2017 and 2018, there were no significant balances that are past due.

(a) Prepayments represent prepayments for long-term rental expenses which will not fully utilized within 1 year.

(b) Amounts due from directors and key management personnel were unsecured, interest free and repayable on demand (Note 29 (c) (i)).

(c) Cash advances to employees mainly represent cash advances to certain employees for ordinary course of business.

(d) Loans to employees mainly represent loans to certain employees for personal house purchase. The loans were unsecured and interest free.

(e) Prepayments mainly represent prepayment for rental expense and teaching materials purchase.

The carrying amounts of the Group's prepayments and other receivables are all denominated in RMB.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At beginning of the year	22,542	65,169	179,616
Additions	311,302	779,826	1,166,540
Fair value gains	1,086	4,581	10,581
Disposals of subsidiaries	—	—	(8,991)
Disposals	(269,761)	(669,960)	(1,142,662)
At the end of the year	65,169	179,616	205,084

The short-term investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected rates of returns ranging from 3.7% to 9.5%, 3.1% to 6.6% and 3.00% to 8.30% per annum for the years ended 31 December 2016, 2017 and 2018, respectively. The returns on all these wealth management products are not guaranteed, and as a result their contractual cash flows do not qualify solely as payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair value are based on cash flow discounted using the expected return based on management judgement and are within level 3 of the fair value hierarchy. The higher the expected rates of return, the higher of the fair value.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash and bank deposits	2,980	24,661	47,700
Less: Term deposits with original maturity over 3 months	—	—	(10,500)
	2,980	24,661	37,200

The carrying amounts of the Group's cash and bank deposits are denominated in the following currencies:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
RMB	2,283	24,661	47,680
US dollar	697	—	13
Hong Kong dollar	—	—	7
	2,980	24,661	47,700

20. SHARE CAPITAL

	Authorized share capital	Number of shares	Nominal value	
	USD		USD	RMB
Balance at 1 January 2016, 31 December 2016 and 2017	—	—	—	—
Issued:				
Ordinary shares issued upon incorporation (a)	50,000	50,000	50,000	314,410
Issue of new ordinary shares (b)	3,831	3,831	3,831	24,091
As at 31 December 2018	53,831	53,831	53,831	338,501

(a) The Company was incorporated in the Cayman Islands on 7 February 2018 with authorized and issued share capital of USD50,000 divided into 50,000 ordinary shares of USD1 each.

(b) On 16 April 2018, a written resolution was passed by the Company's shareholder for issuing a total of 3,831 new shares at a par value of USD1 each to CREG. Upon completion, the total issued share capital of the Company was USD53,831 divided into 53,831 shares of USD1 each. Capital contribution by CREG amounting to RMB106,751,825 was received and RMB24,091 and RMB106,727,734 were recorded as share capital and share premium respectively.

21. SHARE PREMIUM AND OTHER RESERVES

		Other reserves		
	Share premium	Merger reserve	Capital reserves (b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	—	—	100	100
Capital injection from shareholders	—	—	19,900	19,900
Transfer to statutory reserves (a)	—	—	274	274
Balance at 31 December 2016	—	—	20,274	20,274
Balance at 1 January 2017	—	—	20,274	20,274
Transfer to statutory reserves (a)	—	—	5,753	5,753
Balance at 31 December 2017	—	—	26,027	26,027
Balance at 1 January 2018	—	—	26,027	26,027
Reorganization (c)	—	(46,347)	46,347	—
Issuance of shares *(Note 20)*	106,728	—	—	—
Transfer to statutory reserves (a)	—	—	6,637	6,637
Dividends paid to the Company's shareholders *(Note 22)*	(53,831)	—	—	—
Balance at 31 December 2018	52,897	(46,347)	79,011	32,664

(a) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the company's discretion.

(b) The capital reserves of the Group represents the capital contributions from the then equity holders of the Group's subsidiaries. The additions during the Track Record Period represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries, which were consolidated from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the ultimate controlling party.

(c) Merger reserve represents the excess of the net asset value over the paid-up capital of Shenzhen Scholar which was acquired by the Company pursuant to the Reorganization as described in Note 1.2.

22. DIVIDENDS

For the year ended 31 December 2018, the Company declared and paid dividends amounting to RMB53,831,000.

For the years ended 31 December 2016, 2017 and 2018, the subsidiaries now comprising the Group declared and paid dividend amounting to Nil, RMB29,660,000 and RMB35,158,000 respectively.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

23. CONTRACT LIABILITIES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deferred revenue			
— Education services	111,729	235,900	214,701

Contract liability represents the advance considerations received from the students for contracts for education services, which revenue will be recognized when the performance obligation was satisfied through services rendered. Changes in contract liabilities during the Track Record Period are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	32,253	111,729	235,900
Revenue recognized			
— Continuing operations	(170,757)	(375,798)	(493,115)
— Discontinued operations	—	(41,236)	(21,064)
Disposal of subsidiaries	—	—	(37,051)
Cash received from customers during the year	261,212	577,871	575,144
Cash refunded to customers during the year	(10,979)	(36,666)	(45,113)
At the end of the year	111,729	235,900	214,701

Due to the short-term nature of the related service, the entire contract liabilities balance at the period end would be recognized into revenue in the next period. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

24. TRADE AND OTHER PAYABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Non-current			
Deferred operating lease liabilities	2,878	8,959	12,969
Current			
Trade payables (a)	897	1,104	618
Amounts due to related parties — trade *(Note 29(c)(ii))*	—	1,269	2,035
Amounts due to related parties — non-trade *(Note 29(c)(iii))*	—	3,370	—
Employee benefits payables	18,322	30,819	60,929
Other taxes payables	2,964	6,490	4,922
Interest payables	66	98	55
Deferred operating lease liabilities	346	923	2,380
Listing related expenses payables	—	—	5,256
Other payables	3,954	9,272	9,763
	26,549	53,345	85,958

(a) Trade payables are primarily related to the purchase of books and other teaching materials for education. The credit terms of trade payables granted to the Group are usually 3 months.

As at 31 December 2016, 2017 and 2018, the aging analysis of trade payables based on the invoice date was as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
3 months or less	897	1,769	1,409
3 to 6 months	—	540	967
More than 6 months	—	64	277
	897	2,373	2,653

As at 31 December 2016, 2017 and 2018, trade and other payables were all denominated in RMB and the fair values of these balances approximated to their carrying amounts.

25. BORROWINGS

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Non-current			
— Secured			
Bank borrowings	32,580	29,529	26,386
Current			
— Secured			
Current portion of non-current bank borrowings	2,844	3,051	3,173
Bank borrowings	9,400	37,200	—
— Unsecured with guarantee			
Bank borrowings	—	—	13,200
	12,244	40,251	16,373
	44,824	69,780	42,759

For the years ended 31 December 2016, 2017 and 2018, bank borrowings bear effective interest rate of 5.3%, 5.4% and 5.2% respectively. All the bank borrowings of the Group are denominated in RMB.

The scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements are as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 year	12,244	40,251	16,373
Between 1 and 2 years	3,051	3,173	3,332
Between 2 and 5 years	10,004	10,506	11,034
Over 5 years	19,525	15,850	12,020
	44,824	69,780	42,759

As at 31 December 2016, 2017 and 2018, bank borrowings of RMB35,424,000, RMB50,580,000, RMB29,559,000 were secured by the buildings and land use rights of the Group, net book value of which amounted to RMB74,186,000, RMB72,163,000, and RMB70,140,000 (Note 14).

As at 31 December 2016 and 2017, bank borrowings of RMB9,400,000 and RMB19,200,000 were secured by a personal property of Mr. Chen Qiyuan. Relevant bank borrowings were repaid by the Group in 2018 and the security was released accordingly.

As at 31 December 2016, 2017 and 2018, bank borrowings of RMB44,824,000, RMB69,780,000 and RMB42,759,000 were guaranteed by Mr. Chen Qiyuan.

26. DEFERRED INCOME TAX

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Tax losses	1,049	6,275	8,824
Financial assets at FVPL	(35)	(331)	(303)
Deferred operating lease liabilities	993	2,064	3,160
Accruals on wages, salaries and bonus	—	—	1,208
Others	242	589	589
	2,249	8,597	13,478

The movement on the deferred tax assets for the years is as follows:

	Tax losses	**Financial assets at FVPL**	**Deferred operating lease liabilities**	**Accruals on wages, salaries and bonus**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January 2016	—	—	362	—	—	362
Credited/(charged) to the statement of comprehensive income	1,049	(35)	631	—	242	1,887
As at 31 December 2016	1,049	(35)	993	—	242	2,249
Credited/(charged) to the statement of comprehensive income	5,226	(296)	1,071	—	347	6,348
As at 31 December 2017	6,275	(331)	2,064	—	589	8,597
Credited to the statement of comprehensive income	2,549	28	1,096	1,208	—	4,881
As at 31 December 2018	8,824	(303)	3,160	1,208	589	13,478

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profit is probable. As at 31 December 2016, 2017 and 2018, the Group has not recognized deferred tax assets amounted to Nil, RMB2,639,000 and Nil respectively, which can be carried forward against future taxable income. These tax losses will expire in the following years:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Year			
2022	—	2,639	—
2023	—	—	—
	—	2,639	—

During the Track Record Period, the tax losses have not recognized deferred tax assets were all attributed to discontinued operations.

According to PRC corporate income tax law, distribution of profits earned by PRC companies is subject to withholding tax of 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas incorporated immediate holding companies.

As at 31 December 2016, 2017 and 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB9,566,000, RMB25,560,000 and RMB59,262,000, respectively. For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit/(loss) before income tax			
— Continuing operations	13,136	41,409	82,559
— Discontinued operations	—	(9,518)	762
Adjustments for:			
Depreciation and amortization	4,802	19,087	22,703
Net (gains)/losses on disposal of property, plant and equipment	(5)	372	1,154
Fair value gains on financial assets at FVPL	(1,086)	(4,581)	(10,581)
Finance costs	655	2,814	3,186
Changes in working capital:			
Increase in prepayments and other receivables	(8,519)	(16,690)	(30,809)
Increase in trade and other payables	20,419	30,062	47,316
Increase in contract liabilities	79,476	124,171	15,852
Cash generated from operations	108,878	187,126	132,142

(b) Proceeds from disposal of property, plant and equipment

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Net book value *(Note 14)*	203	407	4,403
Net gains/(losses) on disposal of property, plant and equipment	5	(372)	(1,154)
Proceeds from disposal	208	35	3,249

(c) Net cash reconciliation

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Cash and cash equivalents	2,980	24,661	37,200
Term deposit over with initial maturities 3 months	—	—	10,500
Financial assets at FVPL	65,169	179,616	205,084
Borrowings — repayable within one year	(12,244)	(40,251)	(16,373)
Borrowings — repayable after one year	(32,580)	(29,529)	(26,386)
Amounts due to related parties	—	(3,370)	—
Net cash	23,325	131,127	210,025
Cash, term deposit, financial assets at FVPL	68,149	204,277	252,784
Gross debt — variable interest rates	(44,824)	(69,780)	(42,759)
Amounts due to related parties	—	(3,370)	—
Net cash	23,325	131,127	210,025

	Other assets			Liabilities from financing activities			
	Cash and cash equivalents	Term deposits with original maturity over 3 months	Financial assets at FVPL	Borrowings due within 1 year	Borrowings due after 1 year	Amounts due to related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	3,693	—	22,542	—	—	—	26,235
Cash flows	(713)	—	41,541	(9,400)	(35,424)	—	(3,996)
Other non-cash movements	—	—	1,086	(2,844)	2,844	—	1,086
As at 31 December 2016	2,980	—	65,169	(12,244)	(32,580)	—	23,325
Cash flows	21,681	—	109,866	(24,956)	—	(3,370)	103,221
Other non-cash movements	—	—	4,581	(3,051)	3,051	—	4,581
As at 31 December 2017	24,661	—	179,616	(40,251)	(29,529)	(3,370)	131,127
Cash flows	12,539	10,500	23,878	27,021	—	3,370	77,308
Other non-cash movements	—	—	1,590	(3,143)	3,143	—	1,590
As at 31 December 2018	37,200	10,500	205,084	(16,373)	(26,386)	—	210,025

28. COMMITMENTS

(a) Non-cancellable operating leases

The Group leases various teaching centers under non-cancellable operating leases expiring within 2 to 20 years, the majority of lease agreements are renewable at the end of the lease period at market rate.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 year	35,810	69,306	69,413
Later than one year but not later than 5 years	92,193	206,666	208,075
Later than 5 years	7,993	45,947	42,258
	135,996	321,919	319,746

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decision. Name and relationship with related parties are set out below:

Related parties	Relationship
Shenzhen Hongde Education Technology Investment Consulting Partnership (Limited Partnership)* (深圳市弘德教育科技投資諮詢合夥企業(有限合夥)) (the "**Hongde Education**")	Controlled by non-controlling shareholders
Shenzhen Xuanyang Jiuzhou Investment Consulting Partnership (Limited Partnership)* (深圳市軒揚九州投資諮詢合夥企業(有限合夥)) (the "**Xuanyang Investment**")	Controlled by controlling shareholders
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.* (深圳市正信圖文廣告圖文廣告有限公司)	Related party
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.* (深圳市恆創鑫實業科技有限公司)	Related party
Mr. Chen Qiyuan	Controlling shareholder
Mr. Chen Hongyu	Director
Mr. Qi Mingzhi	Director and Chief Executive Officer
Mr. Xu Chaoqiang	Director
Mr. He Fan	Key management of the Company

* The English names of companies established in the PRC are translation of their Chinese names at the best effort of the directors of the Company as they do not have official English names.

(a) Key management personnel compensation

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Wages, salaries and bonus	2,018	1,695	3,160
Defined contribution plan	20	24	27
Other social security costs and housing fund	15	23	33
	2,053	1,742	3,220

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in this Historical Financial Information, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

Purchase of teaching material:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	2,771	3,816
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	—	448	4,789
	—	3,219	8,605

The purchase of teaching material was conducted on normal commercial terms and the purchase price was determined with reference to the prevailing market price.

Borrowings guaranteed by the controlling shareholder:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Mr. Chen Qiyuan	44,824	69,780	42,759

(c) Balances with related parties

(i) *Other receivables*

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Mr. Chen Qiyuan	26,020	61	—
Mr. Chen Hongyu	1,990	800	—
Mr. He Fan	200	200	—
Sky Noon	—	—	184
Magnificent Industrial	—	—	118
Brilliant Faith	—	—	13
	28,210	1,061	315

Mr. Chen Qiyuan and Mr. Chen Hongyu borrowed certain loans from Shenzhen Scholar for the contribution of capital injection of Shenzhen Scholar in 2016, and the loans were repaid in 2017.

All the amounts due from directors and key management personnel were non-trade in nature and were settled before the date of this report.

The amounts due from Sky Noon, Magnificent Industrial and Brilliant Faith were received in January 2019.

(ii) *Trade payables*

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Shenzhen Zhengxin Tuwen Advertisement Co., Ltd.	—	905	896
Shenzhen Hengchuangxin Industrial Technology Co., Ltd.	—	364	1,139
	—	1,269	2,035

(iii) *Other payables*

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Hongde Education	—	2,220	—
Xuanyang Investment	—	1,150	—
	—	3,370	—

Amounts due to related parties were unsecured, interest free and repayable on demand.

30. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of each director of the Company paid/payable by the Group for the years ended 31 December 2016, 2017 and 2018 are set out as follows:

Year ended 31 December 2016:

Name	Director's fee	Salaries	Discretionary bonus	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman:					
Mr. Chen Qiyuan	—	298	100	7	405
Executive directors:					
Mr. Chen Hongyu	—	196	100	6	302
Mr. Qi Mingzhi	—	259	80	4	343
Mr. Xu Chaoqiang	—	249	80	6	335
	—	1,002	360	23	1,385

Year ended 31 December 2017:

Name	Director's fee	Salaries	Discretionary bonus	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman:					
Mr. Chen Qiyuan	—	331	—	7	338
Executive directors:					
Mr. Chen Hongyu	—	206	—	7	213
Mr. Qi Mingzhi	—	287	—	6	293
Mr. Xu Chaoqiang	—	275	—	7	282
	—	1,099	—	27	1,126

Year ended 31 December 2018:

Name	Director's fee	Salaries	Discretionary bonus	Social security and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman:					
Mr. Chen Qiyuan	—	360	140	9	509
Executive directors:					
Mr. Chen Hongyu	—	188	144	9	341
Mr. Qi Mingzhi	—	453	200	9	662
Mr. Xu Chaoqiang	—	364	144	9	517
Non-Executive director:					
Mr. Shen Jingwu	—	—	—	—	—
	—	1,365	628	36	2,029

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2016, 2017 and 2018.

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2016, 2017 and 2018.

Saved as disclosed in Note 29, there were no loans, quasi-loans or other dealings entered into by the Company in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2016, 2017 and 2018 respectively.

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2016, 2017 and 2018.

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2016, 2017 and 2018.

31. CONTINGENCIES

As at 31 December 2016, 2017 and 2018 there were no significant contingencies items for the Group and the Company.

32. SUBSEQUENT EVENTS

On 3 June 2019, the Company subdivided each of its issued ordinary share of a par value of USD1.00 into 1,000 shares of USD0.001 each. Upon the subdivision, the authorized share capital of the Company was USD53,831.05 divided into 53,831,050 shares of USD0.001 each. Earnings per share amounts presented in the financial statements have been revised on a retrospective basis to reflect the effect of the share split. The par value per share and the share numbers in the other notes of the financial statements have not been retrospectively revised.

33. NOTES TO THE COMPANY BALANCE SHEET

(a) Investment in a subsidiary

	As at 31 December 2018
	RMB'000
Shenzhen Scholar	66,347

(b) Prepayments and other receivables

	As at 31 December 2018
	RMB'000
Included in non-current assets	
Amount due from a subsidiary	35,549
Included in current assets	
Prepayments for listing related expenses	4,780
Amounts due from shareholders	315
	5,095

Amounts due from a subsidiary and shareholders were unsecured, interest free and repayable on demand.

(c) Cash and cash equivalents

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	As at 31 December 2018
	RMB'000
Renminbi	8,970
US dollar	13
Hong Kong dollar	3
Total	8,986

(d) Trade and other payables

	As at 31 December 2018
	RMB'000
Listing related expenses payables	4,780

(e) Share premium and capital reserves

	Share premium	Capital reserves
	RMB'000	RMB'000
As at 7 February 2018 (date of incorporation)	—	—
Issuance of shares during the Reorganization	—	66,347
Issuance of shares *(Note 20)*	106,728	—
Dividends paid to the Company's shareholders	(53,831)	—
Balance at 31 December 2018	52,897	66,347

The issuance of shares during the Reorganization represents the net assets value of Shenzhen Scholar acquired by the Company pursuant to the Reorganization as described in Note 1.2.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as of December 31, 2018 as if the Global Offering had taken place on such date assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at December 31, 2018 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 as derived from the Accountant's Report set out in Appendix I of this prospectus and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2018	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$3.28 per Offer Share, after a Downward Offer Price Adjustment of approximately 10%	114,143	317,083	431,226	0.78	0.88
Based on an Offer Price of HK$3.64 per Share	114,143	355,011	469,154	0.84	0.96
Based on an Offer Price of HK$4.68 per Share	114,143	464,581	578,724	1.04	1.19

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2018 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at December 31, 2018 of RMB115,219,000 with an adjustment for the intangible assets as at December 31, 2018 of RMB1,076,000.

(2) The estimated net proceeds from the Global Offering are based on 124,900,000 new shares at the indicative Offer Price of HK$3.64 and HK$4.68 per Share and also based on an Offer Price of HK$3.28 per Offer Share after making a Downward Offer Price Adjustment of approximately 10%, respectively, after deduction of the estimated 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 options which may be granted under the Share Option Scheme or any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that 555,700,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue have been completed on December 31, 2018 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share, the amount stated in Renminbi is converted into Hong Kong dollars at the rate of RMB0.8787 to HK$1.0. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate at all.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2018.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Scholar Education Group

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Scholar Education Group (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 12, 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2018 as if the proposed initial public offering had taken place at December 31, 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended December 31, 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 12 June 2019

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2019 of the property interests held by Scholar Education Group.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

12 June 2019

The Board of Directors
Scholar Education Group
Unit 02, 3/F, Austin Plaza
No. 83 Austin Road
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions of Scholar Education Group (the "**Company**") to value the property interests held by Shenzhen Scholar Culture and Education Technology and Development Co., Ltd. and its subsidiaries and branch companies (altogether referred to as the "**PRC Operating Entities**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 May 2019 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the PRC Operating Entities and have accepted advice given to us on such matters as tenure, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisor — King & Wood Mallesons, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period between November 2018 and February 2019 by Mr. Jimmy Gu and Ms. Mia Lei. Mr. Jimmy Gu and Ms. Mia Lei have more than 6 years' and 1 year's experience respectively in the valuation of properties in the PRC and possess academic background in subjects relating to real estate.

We have had no reason to doubt the truth and accuracy of the information provided to us by the PRC Operating Entities. We have also sought confirmation from the PRC Operating Entities that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held and occupied by the PRC Operating Entities in the PRC

No.	Property	Market value in existing state as at 31 May 2019
		RMB
1.	6 office units of Tower A of Excellence Meilin Center Square located at Meilin Road Futian District Shenzhen City Guangdong Province The PRC (卓越梅林中心廣場A座辦公單元)	74,900,000
2.	32 retail units of Hongrongyuan Xi Garden located at the eastern side of Bao'an Avenue and the southern side of Yingbin Road Bao'an District Shenzhen City Guangdong Province The PRC (鴻榮源禧園商鋪單元)	28,400,000
	Total:	**103,300,000**

VALUATION CERTIFICATE

Property interests held and occupied by the PRC Operating Entities in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2019
				RMB
1.	6 office units of Tower A of Excellence Meilin Center Square located at Meilin Road Futian District Shenzhen City Guangdong Province The PRC (卓越梅林中心廣場A座辦公單元)	The property comprises 6 office units on the 26th floor of a 28-storey office building completed in 2016. The property is located at Meilin Road in Futian District of Shenzhen City. The subject area of the property is well-served by public transportation and is at about 20 minutes' driving distance to Shenzhen North Railway Station and at about 50 minutes' driving distance to Shenzhen Bao'an International Airport. The locality of the property is a well-developed residential, office and commercial area with public facilities and close to the Shangmeilin metro station of Line 4 and Line 9. The property has a total gross floor area of approximately 1,334.30 sq.m. The details are set out as follows: **Unit No.** / **Gross Floor Area** *(sq.m.)* 2601 341.41 2602 129.01 2607 302.30 2608 253.12 2609 150.74 2610 157.72 **Total: 1,334.30** The land use rights of the property have been granted for a term of 40 years expiring on 4 September 2052 for commercial use.	As at the valuation date, the property was held and occupied by Shenzhen Scholar for office purpose.	74,900,000

Notes:

1. Pursuant to 6 Shenzhen City Real Estate Sale and Purchase Contracts — Shen (Fu) Fang Xian Mai Zi (2016) Di Nos. 20906 to 20910 and 21091 dated between 16 September 2016 and 20 September 2016, the property with a total gross floor area of 1,334.30 sq.m. has been purchased by Shenzhen Scholar Culture and Development Co., Ltd. (深圳市思考樂文化發展有限公司) at a total consideration of RMB72,038,048. The relevant land use rights of the property have been granted for a term of 40 years expiring on 4 September 2052 for commercial use.

   As advised by the Company and the PRC Operating Entities, Shenzhen Scholar Culture and Development Co., Ltd. is the former name of Shenzhen Scholar Culture and Education Technology and Development Co., Ltd. (深圳市思考樂文化教育科技發展有限公司, "Shenzhen Scholar", a PRC Operating Entity of the Company).

2. Pursuant to 6 Real Estate Title Certificates (the "**RETCs**"), the property with a total gross floor area of approximately 1,334.30 sq.m. is owned by Shenzhen Scholar. The relevant land use rights of the property have been granted to Shenzhen Scholar for a term of 40 years expiring on 4 September 2052 for commercial use. The details are set out as follows:

No.	**RETC No.**	**Unit No.**	**Gross Floor Area**	**Usage of Units**
			(sq.m.)	
(1)	Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Di No. 0258499	2601	341.41	Office
(2)	Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Di No. 0258491	2602	129.01	Office
(3)	Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Di No. 0258492	2607	302.30	Office
(4)	Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Di No. 0258493	2608	253.12	Office
(5)	Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Di No. 0258502	2609	150.74	Office
(6)	Yue (2016) Shen Zhen Shi Bu Dong Chan Quan Di No. 0258459	2610	157.72	Office
	Total:		**1,334.30**	

3. Pursuant to a Mortgage Contract — Xing Yin Shen Jing Tian Di Ya (2016) Di No. 0029A dated 17 January 2017, unit No. 2608 of the property is subject to a mortgage in favour of Industrial Bank Co., Ltd., Shenzhen Branch (興業銀行股份有限公司深圳支行, "the Bank"), as security to guarantee the principal obligations under a loan contract — Xing Yin Shen Jing Tian Gu Jie (2016) Di No. 0029A entered into between the Bank and Shenzhen Scholar for a total amount of RMB6,700,000 with the loan term from 14 October 2016 to 14 October 2026.

4. Pursuant to a Mortgage Contract of Maximum Amount — Xing Yin Shen Jing Tian Shou Xin (Di Ya) (2017) Di No. 0068 dated 12 September 2017, unit Nos. 2601, 2602, 2607, 2609 and 2610 of the property are subject to a mortgage in favour of the Bank, as security to guarantee the principal obligations under a credit contract — Xing Yin Shen Jing Tian Shou Xin (2017) Di No. 0068 entered into between the Bank and Shenzhen Scholar for a total amount of RMB36,000,000 with the loan term from 28 September 2017 to 28 September 2027.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisor, which contains, *inter alia*, the following:

   Shenzhen Scholar legally owns the building ownership rights of the property. In accordance with the stipulated usage of the property and the land use rights term stated on the RETCs, Shenzhen Scholar has the rights to legally occupy, use, earn, transfer, lease, mortgage or otherwise dispose of the property.

6. We have made reference to various recent sale prices of office premises within the same building. These comparable properties are selected as they have characteristics comparable to the property. The prices of office comparables ranges from RMB53,000 to RMB58,000 per sq.m. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters.

   In valuing the property, we have adopted the assumed average unit rate of RMB56,100 per sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2019
				RMB
2.	32 retail units of Hongrongyuan Xi Garden located at the eastern side of Bao'an Avenue and the southern side of Yingbin Road Bao'an District Shenzhen City Guangdong Province The PRC (鴻榮源禧園商鋪單元)	The property comprises 32 retail units on the 1st and 2nd floor of a residential and commercial building completed in 2009. The property is located at the eastern side of Bao'an Avenue and the southern side of Yingbin Road in Bao'an District of Shenzhen City. The subject area of the property is well-served by public transportation and is at about 35 minutes' driving distance to Shenzhen Bao'an International Airport. The locality of the property is a well-developed residential area with public facilities and close to the Shajing metro station of Line 11. The property has a total gross floor area of approximately 1,094.74 sq.m. The details are set out as follows: **Floor** — **Gross Floor Area** *(sq.m.)* 1st Floor — 270.92 2nd Floor — 823.82 **Total:** — **1,094.74** The land use rights of the property have been granted for a term of 70 years expiring on 8 August 2075 for residential and commercial uses.	As at the valuation date, the property was vacant.	28,400,000

Notes:

1. Pursuant to 32 Shenzhen City Real Estate Sale and Purchase Contracts — Shen (Bao) Fang Xian Mai Zi (2018) Di Nos. 37425, 37431, 37435, 37437, 37440, 37443, 37444, 37447, 37450, 37452, 37454, 37456, 37457, 37459, 37460 and 37464 to 37477 dated 27 November 2018 and Shen (Bao) Fang Xian Mai Zi (2019) Di Nos. 733, 741 and 743 date 15 January 2019, the property with a total gross floor area of approximately 1,094.74 sq.m. has been purchased by Shenzhen Scholar at a total consideration of RMB28,137,022. The relevant land use rights of the property have been granted for a term of 70 years expiring on 8 August 2075 for residential and commercial uses.

2. Pursuant to 32 RETCs, the property with a total gross floor area of approximately 1,094.74 sq.m. are owned by Shenzhen Scholar. The relevant land use rights of the property have been granted to Shenzhen Scholar for a term of 70 years expiring on 8 August 2075 for residential and commercial uses. The details are set out as follows:

No.	RETC No.	Unit No.	Gross Floor Area (sq.m.)	Usage of Units
(1)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242787	2K04	36.15	Commercial
(2)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242818	2K05	28.83	Commercial
(3)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242876	2K06	42.31	Commercial
(4)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242895	2K07	35.83	Commercial
(5)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242929	2K08	31.18	Commercial
(6)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242951	2K09	36.82	Commercial
(7)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242959	2K10	28.83	Commercial
(8)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242720	2K11	34.18	Commercial
(9)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242340	2K12	18.01	Commercial
(10)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242330	2K13	15.03	Commercial
(11)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242294	2K14	14.49	Commercial
(12)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242252	2K15	13.96	Commercial
(13)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242314	2K16	14.40	Commercial
(14)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242215	2K17	15.77	Commercial
(15)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242192	2K18	17.26	Commercial
(16)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242271	2K19	17.87	Commercial
(17)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242356	2K20	27.38	Commercial
(18)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242175	2K21	27.24	Commercial
(19)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242198	2K22	34.04	Commercial
(20)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242244	2K23	31.49	Commercial
(21)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242223	2K24	24.14	Commercial

No.	RETC No.	Unit No.	Gross Floor Area	Usage of Units
			(sq.m.)	
(22)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242306	2K25	33.40	Commercial
(23)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242274	2K26	34.60	Commercial
(24)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242522	2K27	34.60	Commercial
(25)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242537	2K28	34.30	Commercial
(26)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242509	2K29	34.30	Commercial
(27)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242487	2K30	34.30	Commercial
(28)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242470	2K31	34.30	Commercial
(29)	Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di No. 0242368	2K32	38.81	Commercial
(30)	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0044762	1A13	144.87	Commercial
(31)	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0044750	1A15	66.39	Commercial
(32)	Yue (2019) Shen Zhen Shi Bu Dong Chan Quan Di No. 0044555	1A16	59.66	Commercial
	Total:		**1,094.74**	

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisor, which contains, *inter alia*, the following:

   Shenzhen Scholar legally owns the building ownership rights of the property. In accordance with the stipulated usage of the property and the land use rights term stated on the RETCs, Shenzhen Scholar has the rights to legally occupy, use, earn, transfer, lease, mortgage or otherwise dispose of the property.

4. We have made reference to various recent sale prices of retail premises within the same area. These comparable properties are selected as they have characteristics comparable to the property. The prices of retail comparables ranges from RMB42,800 to RMB61,100 per sq.m. on the 1st floor. The unit rates assumed by us are consistent with the sales prices of relevant comparables after due adjustment. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in building age, location, size and condition and other characters.

   In valuing the property, we have adopted the assumed average unit rates of RMB44,300 per sq.m. on the 1st floor and RMB19,900 per sq.m. on the 2nd floor.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 7, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our 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 our Company is established are unrestricted (including acting as an investment company), and that our 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 our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our 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 June 3, 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 our 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 our 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*

Our 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 our 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.

Our 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 our 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 our Company.

(v) *Power of our Company to purchase its own shares*

Our 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 our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our 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 our 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 our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our 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 our 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 our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our 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 our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our 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 our 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 our 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 our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our 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 our 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 our 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 our Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of our 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 our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by our 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 our 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 our 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 our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 our Company or any of its subsidiaries) and ex-employees of our 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 our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our 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 our 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 our Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

Our 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 our Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our 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 our Company or any other company in which our Company may be interested, and shall not be liable to account to our 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 our 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 our 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 our 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 our 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 our 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 our 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 our Company or any other company which our 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our 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 our 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 our Company's name

The Articles may be rescinded, altered or amended by our 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 our Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of our 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 our 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 our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 our 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 our 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 our Company or restricted to voting only for or only against any particular resolution of our 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*

Our Company must hold an annual general meeting of our 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 our 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 our 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 our Company other than to such members as, under the provisions of the Articles or our terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our 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 our 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 our 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 our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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 our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our 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 our Company except as conferred by law or authorised by the board or our 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 our 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 our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our 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 our 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 our Company in general meeting or in such manner as the members may determine.

The financial statements of our 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

Our Company in general meeting may declare dividends in any currency to be paid to our 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 our 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 our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our 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.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our 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 our 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 our 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 our 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 our Company until claimed and our 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 our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our 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 our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that our 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 our Company is wound up and the assets available for distribution amongst the members of our 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 our 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 our 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 our 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 our Company and our 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

Our 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, our Company's operations must be conducted mainly outside the Cayman Islands. Our 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, our 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 our 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 our Company.

The undertaking for our Company is for a period of twenty years from December 17, 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 our 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 our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our 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 expiration 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).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our 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 February 7, 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 1, 2019 and our Company's principal place of business in Hong Kong is at Unit 02, 3/F, Austin Plaza, No. 83 Austin Road, Kowloon, Hong Kong. Mr. So Wai Hang of Flat A, 37/F, Tower 3, Florient Rise, Kowloon, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company on February 7, 2018, the authorized share capital of our Company was US$50,000 divided into 50,000 shares of US$1.00 each. At the time of incorporation, the issued share capital of our Company was US$1.00, with one share of US$1.00 and held by Avalon Ltd., the initial subscriber and an Independent Third Party.

On February 7, 2018, the said one share of US$1.00 was transferred to Sky Noon at par value. On the same date, our Company issued and allotted 29,229 shares to Sky Noon, 18,770 shares of US$1.00 to Magnificent Industrial, 2,000 shares of US$1.00 to Brilliant Faith, at par value.

On April 16, 2018, the authorized share capital of our Company increased from US$50,000 divided into 50,000 shares of US$1.00 to US$53,831.05 divided into 53,831.05 shares of US$1.00 by the creation of an additional 3,831.05 shares each rank *pari passu* in all respects with the existing shares which were subscribed by CREG under the Pre-IPO Investment. For further details, please see "History and Corporate Structure — Pre-IPO Investment" in this prospectus.

On June 3, 2019, each issued and unissued share of a par value of US$1.00 in the share capital of our Company was sub-divided into 1,000 Shares of a par value of US$0.001 each. Upon Share Subdivision, the authorized and issued share capital of our Company was US$53,831.05 divided into 53,831,050 Shares of a par value of US$0.001 each.

On June 3, 2019, the authorized share capital of our Company was further increased to US$1,000,000 by creation of further 946,168,950 Shares of par value of US$0.001 each pursuant to a resolution passed by the Shareholders.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be US$1,000,000 divided into 1,000,000,000 Shares, of which 555,700,000 Shares will be issued fully paid or credited as fully paid, and 444,300,000 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 June 3, 2019" in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

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 Operating Entities

There has been no alteration in the share capital or registered capital of the subsidiaries and PRC Operating 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 June 3, 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 June 3, 2019:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) subdivision of each issued and unissued share of a par value of US$1.00 in the share capital of our Company into 1,000 Shares of a par value of US$0.001 each was approved. Upon Share Subdivision, the authorized and issued share capital of our Company shall be US$53,831.05 divided into 53,831,050 Shares of a par value of US$0.001 each;

(c) the authorized share capital of our Company was increased from US$53,831.05 divided into 53,831,050 shares of US$1.00 each to US$1,000,000 divided into 1,000,000,000 Shares of US$0.001 each by the creation of 946,168,950 Shares of US$0.001 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

(d) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Joint Global Coordinators (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) 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 and the Directors be authorised to do all things and execute all documents in connection with or incidental to the Global Offering with such amendments or modification (if any) as the Directors may consider necessary or appropriate;

(iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by our Board were authorized, at their sole discretion, to: (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;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities 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 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, revoking or renewing 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);

(v) 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 Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying, revoking or renewing the authority given to the Directors, whichever occurs first;

(vi) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (d)(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 (d)(v) 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 (d)(iv), (d)(v) and (d)(vi) 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, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

4A. Written resolution of the then shareholders of the Company passed on June 10, 2019

Pursuant to the written resolution of the then shareholders of our Company entitled to vote at general meetings of our Company, which were passed on June 10, 2019:

(a) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US$376,968.95 be capitalized and applied in paying up in full at par value 376,968,950 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 in accordance with their respective shareholdings (as nearly as possible without involving fractions) in our Company or in accordance with the direction of such member and such Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares; and the names of the shareholders of our Company receiving the respective number of such Shares be entered on the register of members of our Company as holder of such number of Shares allotted and issued to it.

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 June 3, 2019, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following completion of the 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 shareholder of our Company passed on June 3, 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:

(a) an equity transfer agreement dated March 17, 2018 entered into between Shenzhen Scholar and Ms. Chen Linyan, pursuant to which Shenzhen Scholar transferred all 70% of equity interest held in Shenzhen America to Ms. Chen Linyan at a consideration of RMB1;

(b) an exclusive corporate operation and business process consultancy service agreement dated April 9, 2018 entered into by and among Shenzhen Fengye and Shenzhen Scholar, pursuant to which Shenzhen Fengye agreed to provide exclusive corporate operation services and business process consulting services to our PRC Operating Entities in consideration of the relevant service fees to be paid to Shenzhen Fengye;

(c) an exclusive technical service agreement dated April 9, 2018 entered into by and among Shenzhen Fengye and Shenzhen Scholar, pursuant to which Shenzhen Fengye agreed to provide exclusive technical services to our PRC Operating Entities in consideration of the relevant service fees to be paid to Shenzhen Fengye;

(d) an exclusive call option agreement dated April 9, 2018 and entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar, pursuant to which (i) each of the Registered Shareholders irrevocably and unconditionally granted Shenzhen Fengye or its designated purchaser an exclusive option to purchase all or part of the Registered Shareholders' shares in Shenzhen Scholar at the lowest price permitted by PRC laws; and (ii) Shenzhen Scholar irrevocably and unconditionally granted Shenzhen Fengye or its designated purchaser an exclusive option to purchase all or part of the assets of Shenzhen

Scholar at a consideration of RMB1, or if the then lowest price permitted by PRC laws is higher, then the consideration shall be at the lowest price permitted by PRC laws;

(e) a shareholders' voting rights entrustment agreement dated April 9, 2018 and entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar, pursuant to which each of the Registered Shareholders irrevocably authorized and entrusted Shenzhen Fengye or its designated person to exercise all of his/her/its respective rights as shareholders of Shenzhen Scholar to the extent permitted by the PRC laws;

(f) a power of attorney executed by Mr. Chen Qiyuan dated April 9, 2018 appointing Shenzhen Fengye as his appointee to exercise all his shareholder's rights in Shenzhen Scholar;

(g) a power of attorney executed by Xuanyang Investment dated April 9, 2018 appointing Shenzhen Fengye as its appointee to exercise all its shareholder's rights in Shenzhen Scholar;

(h) a power of attorney executed by Hongde Education dated April 9, 2018 appointing Shenzhen Fengye as its appointee to exercise all its shareholder's rights in Shenzhen Scholar;

(i) a power of attorney executed by Ms. Chen Meiqin dated April 9, 2018 appointing Shenzhen Fengye as her appointee to exercise all her shareholder's rights in Shenzhen Scholar;

(j) an equity pledge agreement dated April 9, 2018 and entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar, pursuant to which the Registered Shareholders agreed to pledge and grant first priority security interests over all of his/her/its equity interest in Shenzhen Scholar together with all related rights thereto to Shenzhen Fengye for the purpose of securing the performance of the contractual obligations of the Registered Shareholders and Shenzhen Scholar under the relevant structured contracts, and the repayment of the secured debt of the Registered Shareholders and Shenzhen Scholar;

(k) an equity transfer agreement dated April 11, 2018, and entered into between Shenzhen Scholar, Mr. Yuan Haibin, Ms. Huang Ziqing and Ms. Meng Cuiqiu, pursuant to which Shenzhen Scholar transferred (i) 1% of equity interest held in Shenzhen Unique to Mr. Yuan Haibin at a consideration of RMB1, (ii) 29% of equity interest held in Shenzhen Unique to Ms. Huang Ziqing at a consideration of RMB1, and (iii) 30% equity interest held in Shenzhen Unique to Ms. Meng Cuiqiu at a consideration of RMB1;

(l) a share transfer and subscription agreement dated April 16, 2018 and entered into between Mr. Chen Qiyuan, Sky Noon, Magnificent Industrial, Brilliant Faith, our Company, Shenzhen Fengye, Shenzhen Scholar and CREG, pursuant to which CREG (i) subscribed 3,831.05 shares of our Company at a consideration of RMB106,751,824.82; (ii) purchased 2,480.80 shares of our Company from Sky Noon at a consideration of RMB78,345,309.58; (iii) purchased 1,521.78 shares of our Company from Magnificent Industrial at a consideration of RMB48,057,865.23; and (iv) purchased 241.02 shares of our Company from Brilliant Faith at a consideration of RMB7,611,423.73;

(m) an equity transfer agreement dated July 31, 2018 and entered into between Shenzhen Scholar and Mr. Chen Jianhua (the cousin of Mr. Chen Qiyuan, our executive Director), pursuant to which Shenzhen Scholar transferred 100% equity interest in Fuzhou Scholar to Mr. Chen Jianhua at a consideration of RMB0.1;

(n) a shareholder's capital contribution transfer agreement dated August 28, 2018 and entered into between Shenzhen Scholar and Mr. Xu Chaoqi (the cousin of Mr. Xu Chaoqiang, our executive Director), pursuant to which Shenzhen Scholar transferred 100% equity interest in Guangzhou Scholar to Mr. Xu Chaoqi at a consideration of RMB1;

(o) an exclusive corporate operation and business process consultancy service agreement dated January 13, 2019 and entered into by and among Shenzhen Fengye and our PRC Operating Entities, pursuant to which Shenzhen Fengye agreed to provide exclusive corporate operation services and business process consulting services to our PRC Operating Entities, and as a consideration, our PRC Operating Entities agreed to pay the relevant service fees to Shenzhen Fengye;

(p) an exclusive technical service agreement dated January 13, 2019 and entered into by and among Shenzhen Fengye and our PRC Operating Entities, pursuant to which Shenzhen Fengye agreed to provide exclusive technical services to our PRC Operating Entities, and as a consideration, our PRC Operating Entities agreed to pay the relevant service fees to Shenzhen Fengye;

(q) an exclusive call option agreement dated January 13, 2019 and entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar, pursuant to which (i) each of the Registered Shareholders irrevocably granted Shenzhen Fengye or its designated purchaser an exclusive option to purchase all or part of the equity interest of Registered Shareholders in Shenzhen Scholar at the lowest price permitted by PRC laws; and (ii) Shenzhen Scholar irrevocably and unconditionally granted Shenzhen Fengye or its designated purchaser an exclusive option to purchase all or part of the assets of Shenzhen Scholar at a consideration of RMB1, or if the then lowest price permitted by PRC laws is higher, then the consideration shall be at the lowest price permitted by PRC laws;

(r) a shareholders' voting rights entrustment agreement dated January 13, 2019 and entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar, pursuant to which each of the Registered Shareholders irrevocably authorized and entrusted Shenzhen Fengye or its designated person to exercise all of his/her/its respective rights as shareholders of Shenzhen Scholar to the extent permitted by the PRC laws;

(s) an equity pledge agreement dated January 13, 2019 and entered into by and among the Registered Shareholders, Shenzhen Fengye and Shenzhen Scholar, pursuant to which each of the Registered Shareholders agreed to pledge and grant first priority security interests over all of his/her/its equity interests in Shenzhen Scholar together with all related rights thereto to Shenzhen Fengye for the purpose of securing the performance of the contractual obligations of the Registered Shareholders and Shenzhen Scholar under the relevant structured contracts, and the repayment of the secured debt of the Registered Shareholders and Shenzhen Scholar;

(t) a power of attorney executed by Mr. Chen Qiyuan dated January 13, 2019 appointing Shenzhen Fengye as his appointee to exercise all his shareholder's rights in Shenzhen Scholar;

(u) a power of attorney executed by Xuanyang Investment dated January 13, 2019 appointing Shenzhen Fengye as its appointee to exercise all its shareholder's rights in Shenzhen Scholar;

(v) a power of attorney executed by Hongde Education dated January 13, 2019 appointing Shenzhen Fengye as its appointee to exercise all its shareholder's rights in Shenzhen Scholar;

(w) a power of attorney executed by Ms. Chen Meiqin dated January 13, 2019 appointing Shenzhen Fengye as her appointee to exercise all her shareholder's rights in Shenzhen Scholar;

(x) a spouse undertaking dated January 13, 2019 executed by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan, in favor of Shenzhen Fengye, irrevocably, among others, acknowledging and consenting to the signing of the exclusive technical service agreement, the exclusive corporate operation and business process consultancy service agreement, the exclusive call option agreement, the shareholders' voting rights entrustment agreement and the equity pledge agreement by Mr. Chen Qiyuan;

(y) the Deed of Indemnity;

(z) the Deed of Non-competition; and

(aa) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class[(1)]	Registration number	Date of Registration	expiration date
1.	思考乐·乐学 Joy of Enlightenment	Shenzhen Scholar	PRC	41	22393983	February 7, 2018	February 6, 2028
2.	思考乐·升学	Shenzhen Scholar	PRC	41	22811446	February 21, 2018	February 20, 2028
3.	思考乐教育	Shenzhen Scholar	PRC	41	26785927	September 21, 2018	September 20, 2028
4.	思考乐培训	Shenzhen Scholar	PRC	41	26792267	September 21, 2018	September 20, 2028
5.		Shenzhen Scholar	PRC	41	17310836	September 7, 2016	September 6, 2026
6.	思考乐	Shenzhen Scholar	PRC	41	17311129	September 7, 2016	September 6, 2026
7.	SCHOLAR EDUCATION	Shenzhen Scholar	PRC	41	17310922	October 28, 2016	October 27, 2026
8.		Youshine International	Hong Kong	41	304549348	June 1, 2018	May 31, 2028
9.	思考乐	Youshine International	Hong Kong	41	304549366	June 1, 2018	May 31, 2028
10.	思考乐教育	Youshine International	Hong Kong	41	304549393	June 1, 2018	May 31, 2028
11.	SIKAOLE	Youshine International	Hong Kong	41	304675401	September 20, 2018	September 19, 2028

As at the Latest Practicable Date, we have applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Place of registration	Class(1)	Application number	Filing date
1.	你，就是榜样！	PRC	41	31789337	June 23, 2018
2.	思考乐 SIKAOLE	PRC	41	34638139	November 13, 2018
3.	妙维英语	PRC	41	34822830	November 21, 2018
4.	思考乐教育	The United States of America	41	87945681	June 1, 2018
5.	思考樂	Hong Kong	41	304784617	December 27, 2018

Note:

1. Class 41 refers to the trademarks for the goods and services of education, provision of training, entertainment, sporting and cultural activities.

Patents

As at the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Title of Patent	Patent Type	Registered Owner	Registration number	Place of registration	Authorization Announcement Date	Expiry Date
1.	Mascot (Shenzhen Scholar) (吉祥物(思考樂教育)) . .	Industrial design	Shenzhen Scholar	ZL201730559091.7	PRC	April 6, 2018	November 13, 2027
2.	Folding publicity display stand (一種折疊宣傳展示架). .	Utility model	Shenzhen Scholar	ZL201621443939.6	PRC	September 22, 2017	December 25, 2026
3.	Projection screen for audio-visual teaching (一種電教用投影幕) . . .	Utility model	Shenzhen Scholar	ZL201621449879.9	PRC	July 7, 2017	December 25, 2026
4.	Lens switchable projector (一種鏡頭可切換式投影儀)	Utility model	Shenzhen Scholar	ZL201621443955.5	PRC	July 7, 2017	December 25, 2026
5.	Lens switchable projector (鏡頭可切換式投影儀). .	Utility model	Shenzhen Scholar	ZL201621444768.9	PRC	July 7, 2017	December 25, 2026

Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Title of Copyright	Registered Owner	Registration number	Place of registration	First Publication Date	Expiry Date
1.	Shenzhen Scholar education platform V1.0.0 (思考樂教育平台 [簡稱：思考樂] V1.0.0)	Shenzhen Scholar	2018SR488267	PRC	N/A(1)	N/A(2)
2.	Shenzhen Scholar education platform V1.2.1 (思考樂教育平台V1.2.1)	Shenzhen Scholar	2019SR0021819	PRC	November 9, 2018	December 31, 2068
3.	Shenzhen Culture teaching and research management system software V1.0 (思考樂教研教學管理系統軟件V1.0)	Shenzhen Scholar	2018SR471377	PRC	March 20, 2018	December 31, 2068
4.	Subjective question bank system software based on image feature collection V1.0 (基於圖像特徵採集的主觀題庫系統軟件V1.0)	Shenzhen Scholar	2018SR472465	PRC	July 26, 2017	December 31, 2067

Note:

(1) As of the Latest Practicable Date, it has not been published yet.

(2) According to Regulation on Computers Software Protection (2013 Revision), the expiry date is December 31 of the 50th year from the first publication date of the software copyright.

No.	Title of Copyright	Registered Owner	Registration number	Place of registration	First Publication Date	Expiry Date
5.	Cloud education platform system software based on QR code scanning V1.0 (基於二維碼掃描的雲教育平台系統軟件V1.0)	Shenzhen Scholar	2018SR471375	PRC	August 1, 2017	December 31, 2067
6.	Primary and secondary school intelligent education system software V1.0 (中小學智能教育系統軟件V1.0)	Shenzhen Scholar	2018SR472427	PRC	August 17, 2017	December 31, 2067
7.	Hierarchical smart education system software based on cloud platform V1.0 (基於雲平台的分層式智慧教育系統軟件V1.0)	Shenzhen Scholar	2018SR472470	PRC	August 17, 2017	December 31, 2067
8.	Network education platform teaching data push system software V1.0 (網絡教育平台教學資料推送系統軟件V1.0).	Shenzhen Scholar	2018SR472475	PRC	October 22, 2017	December 31, 2067
9.	Education office automation teaching management system software V1.0 (教育辦公自動化教務管理系統軟件V1.0)	Shenzhen Scholar	2018SR471379	PRC	December 1, 2017	December 31, 2067
10.	Shenzhen Scholar subject research software V1.0 (思考樂課題研究軟件V1.0).	Shenzhen Scholar	2017SR039557	PRC	July 1, 2016	December 31, 2066
11.	Shenzhen Scholar teacher management software V1.0 (思考樂師資管理軟件V1.0).	Shenzhen Scholar	2017SR040854	PRC	July 1, 2016	December 31, 2066
12.	Shenzhen Scholar home and school interconnection software V1.0 (思考樂家校互聯軟件V1.0).	Shenzhen Scholar	2017SR040682	PRC	July 1, 2016	December 31, 2066
13.	Shenzhen Scholar automatic questions generation management software V1.0 (思考樂自動出題管理軟件V1.0).	Shenzhen Scholar	2017SR039560	PRC	July 1, 2016	December 31, 2066
14.	Shenzhen Scholar student management fee attendance system (思考樂學員管理收費考勤系統 [簡稱：學員系統] V1.0).	Shenzhen Scholar	2017SR039554	PRC	November 6, 2016	December 31, 2066

No.	Title of Copyright	Registered Owner	Registration number	Place of registration	First Publication Date	Expiry Date
15.	Student test score evaluation system V1.0 (學員考試成績測評分析系統V1.0)	Shenzhen Scholar	2017SR039555	PRC	October 21, 2015	December 31, 2065
16.	Scholar Shenzhen website CMS management system V1.0 (思考樂網站CMS管理系統V1.0)	Shenzhen Scholar	2017SR039556	PRC	October 21, 2015	December 31, 2065
17.	Shenzhen Scholar teachers APP (Android) V1.0 (思考樂老師APP軟件(Android版)V1.0)	Shenzhen Scholar	2018R11S1130635	PRC	N/A[(1)]	N/A[(2)]

Note:

(1) As of the Latest Practicable Date, it has not been published yet.

(2) According to Regulation on Computers Software Protection (2013 Revision), the expiry date is December 31 of the 50th year from the first publication date of the software copyright.

Domain Names

As at the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No	Registrant	Domain name	Date of registration	Expiration date
1.	Shenzhen Scholar	shengxue100.com	March 4, 2015	December 5, 2019
2.	Shenzhen Scholar	思考乐.cn	January 30, 2018	January 30, 2020
3.	Shenzhen Scholar	思考乐.com	January 30, 2018	January 30, 2020
4.	Shenzhen Scholar	sklvip.cn	March 2, 2017	March 2, 2020
5.	Shenzhen Scholar	shengxue100.org	March 2, 2017	March 2, 2020
6.	Shenzhen Scholar	scholaredu.com	March 2, 2017	March 2, 2020
7.	Shenzhen Scholar	sklvip.org	March 2, 2017	March 2, 2020
8.	Shenzhen Scholar	skledu.org	March 2, 2017	March 2, 2020
9.	Shenzhen Scholar	scholaredu.org	March 2, 2017	March 2, 2020
10.	Shenzhen Scholar	思考乐教育.com	March 2, 2017	March 2, 2020
11.	Shenzhen Scholar	scholaredu.net	March 2, 2017	March 2, 2020
12.	Shenzhen Scholar	sklstu.cn	March 2, 2017	March 2, 2020
13.	Shenzhen Scholar	sklstu.com	March 2, 2017	March 2, 2020
14.	Shenzhen Scholar	skledu.net	March 2, 2017	March 2, 2020
15.	Shenzhen Scholar	skledu.cn	March 2, 2017	March 2, 2020
16.	Shenzhen Scholar	youxue1v1.net	March 16, 2017	March 2, 2020
17.	Shenzhen Scholar	shengxue100.net	March 16, 2017	March 16, 2020
18.	Shenzhen Scholar	sklsx.cn	May 26, 2017	May 26, 2020
19.	Shenzhen Scholar	sklwx.com	May 26, 2018	May 26, 2020
20.	Shenzhen Scholar	youareshine.com	June 1, 2016	June 1, 2020
21.	Shenzhen Scholar	skl520.cn	November 1, 2013	November 1, 2020
22.	Shenzhen Scholar	skl520.com	March 27, 2010	March 27, 2020

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 June 21, 2019 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Our non-executive Director has entered into a letter of appointment with us for an initial fixed term of one year commencing from June 21, 2019 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 June 21, 2019 and will continue thereafter until terminated by not less than three months' notice in writing 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 non-executive Director.

The current basic annual salaries of our Directors are as follows:

Mr. Chen Qiyuan	RMB360,000
Mr. Chen Hongyu	RMB360,000
Mr. Qi Mingzhi	RMB396,000
Mr. Xu Chaoqiang	RMB360,000
Mr. Shen Jing Wu	—
Mr. Huang Victor	HKD200,000
Dr. Liu Jianhua	RMB100,000
Mr. Yang Xuezhi	RMB100,000

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 years ended December 31, 2016, 2017 and 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately RMB1.4 million, RMB1.1 million and RMB2.0 million, respectively.

Save as disclosed in Note 30 to the Accountants' Report in Appendix I to this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2018 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2019 would be approximately RMB2.3 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) *Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalization Issue and the Global Offering*

Immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

(i) *Long position in our Company*

		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. Chen Qiyuan[2]	Interest in a controlled corporation	214,080,000	38.52%

Notes:

(1) The calculation is based on the total number of 555,700,000 Shares in issue after completion of the Share Subdivision and the Capitalization Issue and immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) Mr. Chen Qiyuan is the sole shareholder of Yu Xi International, and he is therefore deemed to be interested in the Shares held by Sky Noon, through Yu Xi International, upon Listing.

(ii) *Long position in associated corporation:*

Shenzhen Scholar

		As at the Latest Practicable Date		Immediately after the Global Offering and the Capitalization Issue	
Name	**Capacity/Nature of interest**	**Amount of registered share capital**	**Approximate percentage of shareholding**	**Amount of registered share capital**	**Approximate percentage of shareholding**
		(RMB)		**(RMB)**	
Mr. Chen Qiyuan	Beneficial owner	7,800,000	39%	7,800,000	39%

(b) ***Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO***

Immediately following completion of the Share Subdivision, 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) *Interests and short positions in our Shares and underlying Shares of our Company:*

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
Sky Noon[(2)]	Beneficial owner	214,080,000	38.52%
Yu Xi International[(2)]	Interest in a controlled corporation	214,080,000	38.52%
Magnificent Industrial[(3)]	Beneficial owner	138,024,000	24.84%
CREG[(4)]	Beneficial owner	64,616,000	11.63%
CRE Alliance Fund I L.P.[(4)(5)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance (Cayman) Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance (BVI) Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Trading (Hong Kong) Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%
China Resources Enterprise, Limited[(4)]	Interest in a controlled corporation	64,616,000	11.63%
CRE Alliance Fund I LP Limited[(5)]	Interest in a controlled corporation	64,616,000	11.63%
China Great Wall AMC (International) Holdings Company Limited[(5)]	Interest in a controlled corporation	64,616,000	11.63%

Notes:

(1) The calculation is based on the total number of 555,700,000 Shares in issue after completion of the Share Subdivision and the Capitalization Issue and immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) Sky Noon is owned as to 100 voting shares by Yu Xi International and 100 non-voting shares by XY JZ Holdings. Yu Xi International is wholly-owned by Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder. Yu Xi International is deemed to be interested in all the Shares in which Sky Noon is interested by virtue of the SFO.

(3) Magnificent Industrial is owned as to 25.1140% by Mr. Chen Hongyu, 1.3319% by Mr. Hua Ribao, 2.2376% by Mr. Li Yong, 9.1881% by Mr. He Fan, 8.9505% by Mr. Zou Bangxin, 9.0693% by Mr. Qi Mingzhi, 4.4752% by Mr. Zhu Lixun, 9.0693% by Ms. Li Ailing, 9.4752% by Ms. Zhu Mingxia, 2.2376% by Ms. Leng Xinlan, 2.2376% by Mr. Cheng Zai, 9.9009% by Mr. Xu Chaoqiang, 2.2376% by Ms. Liang Renhong and 4.4752% by Ms. Pan Danting. Mr. Chen Hongyu, Mr. Qi Mingzhi and Mr. Xu Chaoqiang are our executive Directors. Mr. Hua Ribao, Mr. He Fan and Ms. Li Ailing are our senior management members while the remaining individuals are employees of our Group.

(4) CREG is wholly owned by CRE Alliance Fund I L.P. The general partner of CRE Alliance Fund I L.P. is CRE Alliance (Cayman) Limited, which is in turn wholly owned by CRE Alliance (BVI) Limited. CRE Alliance (BVI) Limited is wholly owned by CRE Trading (Hong Kong) Limited, which is in turn wholly owned by China Resources Enterprise, Limited. China Resources Enterprise, Limited is wholly held by CRH (CRE) Limited, which is in turn wholly owned by China Resources (Holdings) Company Limited. Accordingly, each of CRE Alliance Fund I L.P., CRE Alliance (Cayman) Limited, CRE Alliance (BVI) Limited, CRE Trading (Hong Kong) Limited, China Resources Enterprise, Limited, CRH (CRE) Limited and China Resources (Holdings) Company Limited is deemed to be interested in all Shares held by CREG upon the Listing pursuant to the SFO.

(5) CRE Alliance Fund I L.P. is interested as to 49.5% and 49.5% by CRE Alliance Fund I LP Limited and China Great Wall AMC (International) Holdings Company Limited as limited partners. As such, they are deemed to be interested in all the Shares held by CRE Alliance Fund I L.P. and its wholly-owned subsidiary, CREG upon the Listing pursuant to the SFO.

(ii) *Interests and short positions in associated corporations*

Long position in Shenzhen Scholar

		Immediately after the Global Offering and the Capitalization Issue	
Name	**Capacity/Nature of interest**	**Amount of registered share capital**	**Approximate percentage of shareholding**
		(RMB)	
Hongde Education[(1)]	Beneficial Owner	7,508,000	37.54%
Xuanyang Investment[(2)]	Beneficial Owner	3,892,000	19.46%

Notes:

(1) The general partner of Hongde Education is Mr. Chen Hongyu and the limited partnership of Hongde Education is owned as to 18.1140% by Mr. Chen Hongyu, 1.3319% by Mr. Hua Ribao, 2.2376% by Mr. Li Yong, 11.1881% by Mr. He Fan, 8.9505% by Mr. Zou Bangxin, 10.0693% by Mr. Qi Mingzhi, 4.4752% by Mr. Zhu Lixun, 10.0693% by Ms. Li Ailing, 4.4752% by Ms. Zhu Mingxia, 2.2376% by Ms. Leng Xinlan, 2.2376% by Mr. Cheng Zai, 17.9009% by Mr. Xu Chaoqiang, 2.2376% by Ms. Liang Renhong and

4.4752% by Ms. Pan Danting. Mr. Chen Hongyu, Mr. Qi Mingzhi and Mr. Xu Chaoqiang are our executive Directors. Mr. Hua Ribao, Mr. He Fan and Ms. Li Ailing are our senior management members while the remaining individuals are employees of our Group.

(2) The general partner of Xuanyang Investment is Mr. Chen Qiyuan, our executive Director and a Controlling Shareholder, and the limited partnership of Xuanyang Investment is owned as to 19.99% by Mr. Chen Qiyuan and 80.01% by Ms. Chen Yunlei, the spouse of Mr. Chen Qiyuan.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options 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 our Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this Appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholder of our Company passed on June 3, 2019 and adopted by a resolution of our Board on June 3, 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 55,570,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued 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, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders. 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 favor 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 our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

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 expiration of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in 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 our Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the grantee at any time during the Option Period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or 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 our 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 our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(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 expiration 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 expiration 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 expiration of the Option period;

(b) the expiration of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in 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 our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to our Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancelation 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 canceled with effect from the date specified in such notice (the "Cancelation 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 our Board for the Option to be canceled; or

(c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancelation Date in respect of any part of the Option which has not been exercised as at the Cancelation Date. No compensation shall be payable upon any such cancelation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

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 our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of our Board or any person or committee delegated by our Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(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 55,570,000 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 Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) our Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 55,570,000 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, namely Mr. Chen Qiyuan, Sky Noon, Yu Xi International and Magnificent Industrial 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 (the "Accounts"); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after December 31, 2018 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from any non-compliances by any member of our Group with any applicable laws, rules and regulations for so long as such non-compliances occur or occurred on or before the Listing Date, including those disclosed in the sections headed "Business — Legal Proceedings and Compliance — Non-Compliance Incidents" in this prospectus.

2. Litigation

As at the Latest Practicable Date, our Directors confirm that 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

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

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 December 31, 2018 (being the date to which our latest consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(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
CLSA Capital Markets Limited	A corporation licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
King & Wood Mallesons	PRC Legal Advisor to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory 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**, **PINK** 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, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(3) the consolidated financial statements of our Group for each of the three years ended December 31, 2016, 2017 and 2018;

(4) the reports received from PricewaterhouseCoopers 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 Jones Lang LaSalle Corporate Appraisal and Advisory 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 King & Wood Mallesons, 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 Islands Companies Law; and

(13) the rules of the Share Option Scheme.

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Scholar Education Group