You should read the following discussion and analysis with our audited combined financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this document.

For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are the largest vocational training education provider in China in terms of average students enrolled and revenue for the year ended December 31, 2017, according to the Frost & Sullivan Report. We have a leading position in China in providing vocational training education services in three industry sectors, namely, culinary arts, auto services, and information technology, where we ranked first in each sector in terms of average students enrolled, according to the Frost & Sullivan Report. We also provide secondary vocational education services through 25 out of the 139 Schools we had as of August 31, 2018.

Headquartered in Hefei, Anhui province, we had established a nationwide school network consisting of 139 Schools as of August 31, 2018 spanning 29 of the 31 provinces in mainland China and Hong Kong. We operate our business and establish our Schools under five school brands, namely, New East Culinary Education, Omick Education of Western Cuisine and Pastry, Wontone Automotive Education, Xinhua Internet Technology Education, Wontone Automotive Education and Wisezone Data Technology Education. For the eight months ended August 31, 2018, our average students enrolled were 70,004, 2,633, 18,684, 29,008 and 1,209, respectively, under these school brands. As of August 31, 2018, we also operated 17 customized catering experience centers under Cuisine Academy.

We derive revenue primarily from (i) tuition fees collected by our Schools; (ii) service fees collected by Cuisine Academy; and (iii) fees for other ancillary services we provide, such as test preparation and training for professional certificate examinations. We generally require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the programs they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. Tuition and service fees are recognized proportionately over the relevant periods of the applicable programs (not exceeding one year).

We experienced significant growth in our revenue, gross profit and profit and total comprehensive income from continuing operations as well as our average students enrolled during the Track Record Period. Our revenue from continuing operations increased from RMB1,828.2 million for the year ended December 31, 2015 to RMB2,335.7 million for the year ended December 31, 2016, and further to RMB2,850.2 million for the year ended December 31, 2017, representing a CAGR of 24.9%. Our revenue from continuing operations amounted to RMB2,055.1 million for the eight months ended August 31, 2018, compared to RMB1,790.2 million for the eight months ended August 31, 2017, representing a growth rate of 14.8%. Our gross profit from continuing operations increased from RMB987.5 million for the year ended December 31, 2015 to RMB1,321.5 million for the year ended December 31, 2016, and further to RMB1,568.8 million for the year ended December 2017, representing a CAGR of 26.3%. Our gross profit from continuing operations amounted to RMB1,064.2 million for the eight months ended August 31, 2018, compared to RMB1,028.7 million for the eight months ended August 31, 2017. Our profit and total comprehensive income from continuing operations increased from RMB353.1 million for the year ended December 31, 2015 to RMB587.4 million for the year ended December 31, 2016, and further to RMB661.2 million for the year ended December 31, 2017, representing a CAGR of 39.5%. Our profit and total comprehensive income from continuing operations decreased by 27.0% from RMB407.2 million for the eight months ended August 31, 2017 to RMB297.3 million for the eight months ended August 31, 2018, primarily due to a significant increase in our selling expenses to promote our brand name and facilitate the student recruitment of our newly established schools as well as a significant increase in our administrative expenses because we hired additional administrative staff and professional consultants to meet the needs of our expanded school network. Our average students enrolled grew cumulatively from 93,727 for the year ended December 31, 2015 to 116,603 for the year ended December 31, 2017, representing a CAGR of 13.7%. Our average students enrolled grew by 4.8% from 116,400 for the eight months ended August 31, 2017 to 121,558 for the eight months ended August 31, 2018.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on October 4, 2018 and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries are in the operation of vocational education institutions.

We are restricted by the relevant PRC laws and regulations from independently or jointly operating the vocational training education business. Our wholly-owned subsidiary, Xinhua Chuangzhi, has entered into the Structured Contracts with Anhui Xinhua Education and the relevant equity holders. The Structured Contracts enable Xinhua Chuangzhi to exercise effective control over Anhui Xinhua Education and obtain substantially all economic returns generated by Anhui Xinhua Education in consideration for the business support, technical and consulting services provided by our Group. Consequently, we regard Anhui Xinhua Education as an indirect subsidiary of our Group.

Pursuant to the Corporate Reorganization as more fully explained in the paragraph under "Corporate Reorganization" in the sections headed "History and Corporate Structure" and "Structured Contracts" in the document, the Company became the holding company of the companies now comprising the Group on October 4, 2018. Since the Controlling Shareholders control all the companies now comprising the Group before and after the Corporate Reorganization, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. The historical financial information for the Track Record Period has been prepared on the basis as if the Company had been the holding company of its subsidiaries since the beginning of the Track Record Period using the principle of merger accounting.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Vocational Education in China

Demand for private vocational education in China is a function of a number of factors, including the level of economic development and demographic changes. Our business has benefited from the growth of PRC economy and the increasing demand for private education in China. According to the Frost & Sullivan Report, as the PRC economy has continued to grow over the past five years, its real GDP has also increased at a fast pace. The per capita real GDP in China grew from RMB42,812.0 for 2013 to RMB54,829.4 for 2017 and is expected to reach RMB72,534.3 for 2022, representing a CAGR of 5.8% from 2017 to 2022. According to the Frost & Sullivan Report, the urban population in China is likely to grow due to the relaxation and termination of the "one-child policy" and the adoption of the universal "two-child policy," which in turn will likely affect the demand for private vocational education in China. Due to the rapid economic development and the influx of migrant workers from rural areas into developed areas, urban population in China has been steadily increasing since the 1990s, according to the Frost & Sullivan Report. China's urban population increased from 731.1 million in 2013 to 813.5 million in 2017, and is expected to further increase to 934.5 million by the end of 2022, according to the Frost & Sullivan Report. To address this shift in population distribution, the Central Committee of the Communist Party of China and the State Council promulgated the "National Plan on New Urbanization" ("國家新型城填化規劃(2014-2020年)") in 2014 to encourage rural workforce to receive appropriate education, acquire technical skills and get employed as skilled workers.

Information Technology Industry

The economic growth in relevant industries will likely increase the demand for private vocational education. According to the Frost & Sullivan Report, the revenue of China's information technology industry increased from RMB5,050.1 billion in 2013 to RMB8,337.8 billion in 2017, representing a CAGR of 13.4%; the employed population increased accordingly, rising from 6.9 million in 2013 to 8.8 million in 2017, representing a CAGR of 6.3%. As a result, the gap between the supply of and the demand for information technology talents in China increased from 3.5 million in 2013 to 7.7 million in 2017, representing a CAGR of 21.8% from 2013 to 2017. With the rapid development of information technology industry, information technology training market also shows a positive growth trend. The demand for the information technology talents is expected to continue to grow, thus driving the rapid development of information technology training market. The revenue of the information technology vocational training market has experienced rapid growth. From 2013 to 2017, the revenue of information technology training market increased from RMB18.6 billion to RMB33.2 billion, representing a CAGR of 15.6%, and to RMB60.3 billion in 2022, realizing a CAGR of 12.7%.

Catering Industry

Additionally, according to the Frost & Sullivan Report, the revenue of China's catering industry increased from RMB2,636.8 billion in 2013 to RMB3,964.4 billion in 2017, representing a CAGR of 10.7%. With the prosperity of the catering industry, the supply and demand gap for skilled chefs in the catering industry is likely to grow from 2.2 million for 2017 to 3.1 million for 2022, representing a CAGR of 7.1%. Driven by the flourishing catering industry, government support as well as the attractive salary package of professional chefs, there are an increasing number of students enrolled in culinary vocational training programs. The total revenue of culinary vocational training market has experienced rapid growth. From 2013 to 2017, total revenue of catering training market increased from RMB2.4 billion to RMB4.0 billion, representing a CAGR of 13.6%, and then to RMB6.4 billion in 2022, representing a CAGR of 9.9%.

Auto Services Industry

Furthermore, the employed population in auto services market in China has witnessed a rapid growth in last few years. The employed population increased from 3.0 million in 2013 to 4.4 million in 2017, representing a CAGR of 10.0% from 2013 to 2017. Going forward, the employed population market in China is forecasted to reach 6.8 million in 2022, which represents a CAGR of 8.9% from 2017 to 2022. Therefore, we anticipate the demand for private education in China, including private vocational education, to continue to increase. Accordingly, revenue generated by auto services vocational education in China increased from RMB1,140.0 million in 2013 to RMB2,104.5 million in 2017, representing a CAGR of 16.6%, according to the Frost & Sullivan Report.

The increase in economy and talent demands in relevant industries, together with the potential increase in PRC urban population, and the increasing PRC urban household income and wealth, has also played an important role in the increase in the demand for private vocational education in China.

Student Enrollment Levels

Our revenue primarily depends on the number of students enrolled at our Schools and the level of tuition fees we charge. During the Track Record Period, the average students enrolled at our Schools increased from 93,727 for the year ended December 31, 2015 to 105,095 for the year ended December 31, 2016, and further to 116,603 for the year ended December 31, 2017. For the eight months ended August 31, 2018, the number of average students enrolled at our Schools was 121,558 compared to 116,400 as of the same date in 2017, representing a growth rate of 4.8%. Our student enrollment largely depends on a number of factors, including, but not limited to, our Schools' reputation, which is primarily reflected by the quality of education we provide. We believe the educational philosophy of our Schools, the practical educational curriculums we offer, and our high employment rates help us attract students who seek high-quality private education as a pathway to their career success in the future. Moreover, the quality of our teachers is also a major factor, and will continue to play an important role in the future in the success of our Schools. Accordingly, we enforce stringent teacher selection criteria and maintain rigorous training programs for our newly hired and experienced teachers, as well as regular teacher evaluation processes to assess and improve their performance.

Tuition Fees and Service Fees

Our results of operations are affected by the level of tuition fees and service fees we are able to charge. We require students and customers to pay tuition fees and service fees in advance prior to the commencement of each new program. We generally require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the program they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. Tuition fees charged by Schools that offer long-term courses also cover boarding services, and students have the option to live on-campus in dormitories we provide. See "Business — Pricing Policy" in this document. The tuition and service fees we charged are typically based on the demand for our programs, the cost of our operations, the geographic markets where we operate our Schools, the tuition and service fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. During the Track Record Period, we raised tuition rates by optimizing our course offerings with more high-end courses with a high demand in the job market at a higher tuition rate. During the Track Record Period, our management department for each brand in our headquarters uniformly adjusts the tuition fee rates of the same program offered by our Schools. Each of our Schools or centers has discretion in determining the tuition rate and service fee rate for the current year which is subject to the approval of the respective management department in our headquarters. For our tuition and service fees information, see "Business — Pricing Policy". As a private vocational education service provider, we are not required to obtain any approval from the government to raise tuition rates. We have full discretion in our own pricing policy as long as we give public notification prior to tuition rate increases. New tuition will only be applicable to newly admitted students and the tuition levels for existing students remain unchanged. While we successfully increased tuition rates at a substantial portion of our Schools during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition rates in the future. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations depend on the level of tuition fees we are able to charge and our ability to maintain and raise tuition fees" in this document.

Ability to Control Operating Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, our cost of revenue represented 46.0%, 43.4%, 45.0%, 42.5% and 48.2% of our total revenue, respectively. Our cost of revenue primarily consists of teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses, campus maintenance and renovation expenses, depreciation and amortization, utilities and office expenses. Our teaching staff salaries and benefits consist of salaries and benefits for our teaching staff. Teaching staff salaries and benefits constitute 31.2%, 30.1%, 29.4% and 30.3% of our total cost of revenue for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Our student and teaching activity related costs mainly consist of costs of raw materials for skill training, depreciation of training equipment, costs relating to student activities, costs of teaching materials, and other costs in relation to our students. Student and teaching activity related costs constitute 28.5%, 28.0%, 27.2%, 25.8% and 24.4% of our total cost of revenue for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, respectively.

Furthermore, our operating expenses include two major components, namely, selling expenses and administrative expenses. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, the total amount of selling expenses and administrative expenses as a percentage of our total revenue from continuing operations was approximately 32.0%, 27.5%, 28.3%, 28.7% and 33.8% respectively. While our operating expenses have generally remained relatively stable during the Track Record Period, we cannot guarantee they will not increase as we expand our business operations and become a public company. If we are unable to control our costs and expenses, our profitability may be materially and adversely affected.

Expansion of School Network

Our business has experienced significant growth in recent years. The number of our Schools increased from 71 as of December 31, 2015 to 139 as of August 31, 2018. We plan to continue to expand our operations in cities which have a population of over five million in densely populated provinces such as Guangdong, Zhejiang, Jiangsu, Hunan, Hebei, Sichuan, Inner Mongolia and Heilongjiang, which we believe have significant unmet demand for skilled workers in culinary arts, auto services, and information technology in China. Establishing new schools poses challenges and requires us to make investments in management, capital expenditures, marketing expenses and other resources. The average payback period and average breakeven period for our new schools range from three to four years and two to three years, respectively. See "Business — Our Expansion Plans" for more details.

During the ramp-up period of a new school, we incur fixed costs relating to staff compensation, costs relating to student and teaching activities, rent, maintenance and renovation, depreciation and amortization, and other miscellaneous expenses, while our revenue is relatively limited because student enrollment numbers are usually low at the initial stage and it takes time to gradually increase the utilization rate of a new school. As a result, new schools negatively impact our overall profitability during their ramp-up periods.

Preferential Tax Treatment

Our results of operations are affected by the preferential tax treatment we receive. During the Track Record Period, our subsidiaries are subject to the PRC EIT at the standard rate of 25%, except for those which were either exempted or entitled to different preferential tax rates pursuant to relevant PRC policies, laws, rules and regulations. Some of our subsidiaries are exempted from EIT according to the *Implementation Rules for the Law for Promoting Private Education*, which allows private schools for which the school sponsors do not require reasonable returns to enjoy the same preferential tax treatment as public schools. 28 subsidiaries are eligible to enjoy the 15% preferential tax rate because they are located in the western region of China pursuant to the "Western Region Development Plan" (西部大開發計劃) promulgated by the State Council of the PRC, or because they were recognized as "high and new technology enterprises" by relevant authorities. One subsidiary is entitled to the 20% preferential tax rate because it was recognized as "small and micro businesses" by relevant local authorities.

The discontinuation of any preferential tax treatment currently available to us would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit. See "Risk Factors — Risks Relating to Conducting Business in China — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of certain of our Schools, could materially and adversely affect our results of operations." in this document for details. In addition, our overseas school and future overseas expansion plan may subject us to tax obligations in foreign jurisdictions and potentially affect our results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgements and estimates, and other significant accounting policies, judgements and estimates we applied in preparing our financial information, see Accountants' Report of the Group in Appendix I to this document.

Revenue Recognition

Revenue is recognized to reflect the transfer of promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for our services. We recognize revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the services underlying the particular performance obligation representing tuition and ancillary services are transferred to the students.

Tuition and service fees are generally paid in advance at the beginning of each program, and are initially recorded as contract liabilities. Tuition and service fees are recognized proportionately over the relevant periods of the applicable courses (not exceeding one year). The portion of tuition and service fee payments received from students and customers but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year. We have tuition fee refund policies in place at our Schools for students who withdraw from our courses. See "Business — Pricing Policy — Student Withdrawal and Refund Policy" for details.

Property and Equipment

Property and equipment, including buildings, held for use in the production or supply of services or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. During the Track Record Period, we did not have any material write off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the combined statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. See "— Key Components of Our Results of Operations — Continuing Operations — Other Income" in this section for details.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

RESULTS OF OPERATIONS

The following table presents our selected combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB in thousands)		
Continuing operations					
Revenue	1,828,206	2,335,730	2,850,165	1,790,226	2,055,129
Cost of revenue	(840,670)	(1,014,265)	(1,281,339)	(761,497)	(990,941)
Gross profit	987,536	1,321,465	1,568,826	1,028,729	1,064,188
Other income	31,260	21,578	34,403	14,612	32,293
Other gains and losses	9,306	26,704	59,809	30,241	28,496
Selling expenses	(335,000)	(363,889)	(456,926)	(301,130)	(438,370)
Administrative expenses	(249,567)	(277,798)	(349,936)	(213,545)	(255,304)
[**REDACTED**]	–	–	–	–	(8,290)
Research and development expenses	(5,951)	(8,403)	(24,021)	(14,398)	(14,214)
Profit before taxation	437,584	719,657	832,155	544,509	408,799
Income tax expense	(84,483)	(132,278)	(170,965)	(137,278)	(111,458)
Profit and total comprehensive income for the year/period from continuing operations	353,101	587,379	661,190	407,231	297,341
Discontinued operation					
Loss and total comprehensive expense for the year/period from discontinued operation	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
Profit and total comprehensive income for the year/period	335,267	565,478	641,621	398,236	289,592
Profit (loss) and total comprehensive income (expenses) for the year/period attributable to owners of the Company					
– from continuing operations	353,101	587,379	661,190	407,231	297,341
– from discontinued operation	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
	335,267	565,478	641,621	398,236	289,592

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

	Years ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	(RMB in thousands)				
				(Unaudited)	
Profit and total comprehensive income for the year/period from continuing operations	353,101	587,379	661,190	407,231	297,341
Profit/(loss) in relation to new schools/centers:					
Aggregate net profit/(loss) of new Schools/centers commenced to generate revenue in 2015	(26,591)	(10,912)	5,864	3,662	7,422
Aggregate net profit/(loss) of new Schools/centers commenced to generate revenue in 2016	–	(21,373)	(7,505)	4,650	(27,043)
Aggregate net profit/(loss) of new Schools/centers commenced to generate revenue in 2017	–	–	(116,314)	(35,750)	(95,025)
Aggregate net profit/(loss) of Schools/centers commenced to generate revenue in 2018	–	–	–	–	(35,316)

Our new Schools/centers that commenced operations in 2015 incurred net losses for 2015, narrowed their loses for 2016, began to generate a net profit for 2017 and their profitability continued to improve in the eight months ended August 31, 2018 compared with the eight months ended August 31, 2017. Our new Schools/centers that commenced operations in 2016 recorded a net profit for the eight months ended August 31, 2017 but had net losses for the eight months ended August 31, 2018 primarily because we opened 16 new Schools under our Wisezone brand in 2016 and the profitability of these Wisezone schools decreased between these periods. See "— Key Components of Our Results of Operations — Continuing Operations — Gross Profit and Gross Profit Margin" below for details.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Continuing Operations

Revenue

During the Track Record Period, we derived revenue primarily from (i) tuition fees paid by students from each of our Schools, which include, as applicable, boarding services and test preparation and training services for professional certificate examinations; (ii) service fees collected by Cuisine Academy from customers; and (iii) fees for other ancillary services we provide, including staff outsourcing services and logistics management services. Generally, we require students of long-term programs to pay tuition fees in advance for the next 12 months and students of short-term programs to pay in advance all of the tuition fees for the programs they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, we generated total revenue from continuing operations of RMB1,828.2 million, RMB2,335.7 million, RMB2,850.2 million, RMB1,790.2 million and RMB2,055.1 million, respectively.

During the Track Record Period, we operated our business under five school brands, namely, New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry and Wisezone Data Technology Education. We also offered customized catering experience services through Cuisine Academy. The following table sets forth a breakdown of our external revenue from continuing operations by business segments for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	(RMB in thousands except percentages)									
Revenue from continuing operations										
New East	1,057,205	57.8	1,432,112	61.2	1,738,743	61.0	1,103,722	61.7	1,232,005	59.9
Xinhua Internet	443,198	24.2	480,533	20.6	542,249	19.0	332,769	18.6	364,262	17.7
Wontone	319,841	17.5	354,256	15.2	419,347	14.7	256,702	14.3	277,468	13.5
Omick	–	–	–	–	74,838	2.6	44,293	2.5	122,667	6.0
Wisezone	5,422	0.3	53,188	2.3	64,139	2.3	43,133	2.4	41,560	2.0
Cuisine Academy	–	–	–	–	333	–	–	–	11,530	0.6
Other Miscellaneous Businesses(1)	2,540	0.2	15,641	0.7	10,516	0.4	9,607	0.5	5,637	0.3
Total (2)	1,828,206	100	2,335,730	100	2,850,165	100	1,790,226	100	2,055,129	100

Notes:

(1) Other miscellaneous businesses primarily include revenue from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

(2) The total revenue and percentages do not include inter-segment sales which are eliminated upon consolidation.

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

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
	(RMB in thousands except percentages)									
Revenue from continuing operations										
Tuition fees and service fees[(1)]	1,825,666	99.9	2,320,089	99.3	2,839,649	99.6	1,780,619	99.5	2,049,492	99.7
Fees from ancillary services	2,540	0.1	15,641	0.7	10,516	0.4	9,607	0.5	5,637	0.3
Total	1,828,206	100	2,335,730	100	2,850,165	100	1,790,226	100	2,055,129	100

Note:

(1) Tuition fees are primarily generated from our vocational education services. Service fees are mainly generated from customized catering experience services offered by Cuisine Academy.

The following table sets forth the new student enrollments in our long-term programs and short-term programs under each brand for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018:

Segments and Brands	New Student Enrollment[(1)]	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2018
CULINARY ARTS					
New East	Long-term	31,451	38,645	40,929	30,539
	– One to less than two years	8,169	9,350	8,669	5,953
	– Two to less than three years	22,170	27,001	28,725	19,951
	– Three years or more	1,112	2,294	3,535	4,635
	Short-term[(2)]	25,533	26,661	31,013	24,011
	Subtotal	**56,984**	**65,306**	**71,942**	**54,550**
Omick	Long-term	–	–	–	–
	Short-term[(2)]	–	–	2,788	5,989
	Subtotal	**–**	**–**	**2,788**	**5,989**

Segments and Brands	New Student Enrollment[1]	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2017	Eight months ended August 31, 2018
INFORMATION TECHNOLOGY					
Xinhua Internet	Long-Term	13,320	14,409	15,815	17,231
	– One to less than two years	939	633	1,103	932
	– Two to less than three years	8,722	8,664	8,203	8,838
	– Three years or more	3,659	5,112	6,509	7,461
	Short-term[2]	3,493	2,834	3,554	2,318
	Subtotal	**16,813**	**17,243**	**19,369**	**19,549**
Wisezone	Long-Term	–	–	–	–
	Short-term[2]	–	3,465	3,573	3,029
	Subtotal	**–**	**3,465**	**3,573**	**3,029**
AUTO SERVICES					
Wontone	Long-term	9,836	9,805	9,685	9,630
	– One to less than two years	2,493	2,436	2,340	1,716
	– Two to less than three years	5,510	5,179	5,254	4,935
	– Three years or more	1,833	2,190	2,091	2,979
	Short-term[2]	4,615	4,644	6,518	6,072
	Subtotal	**14,451**	**14,449**	**16,203**	**15,702**
Total	Long-Term	54,607	62,859	66,429	57,400
	– One to less than two years	11,601	12,419	12,112	8,601
	– Two to less than three years	36,402	40,844	42,182	33,724
	– Three years or more	6,604	9,596	12,135	15,075
	Short-term[2]	33,641	37,604	47,446	41,419
	Total	**88,248**	**100,463**	**113,875**	**98,819**
Cuisine Academy[2]	Number of new customers	–	–	146	3,537

Note:

(1) New student enrollment represents the total number of students newly enrolled at our operating schools during the period indicated. We use new student enrollment to assess our ability of student recruitment and the popularity of our programs.

(2) We commenced operations of Cuisine Academy in 2017. Number of new customers represent the total number of new customers attending our customized catering experience programs of Cuisine Academy during the period indicated.

For the year ended December 31, 2017 and the eight months ended August 31, 2018, 146 and 3,537 new customers, respectively, participated in the customized catering experience centers under Cuisine Academy.

The following table sets forth the average students enrolled in our long-term programs and short-term programs for the periods indicated:

Segments and Brands	Average Students Enrolled[1]	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2018
CULINARY ARTS					
New East	Long-term	45,791	54,846	64,549	64,012
	– One to less than two years	9,089	9,210	9,252	7,779
	– Two to less than three years	35,726	43,670	51,609	51,566
	– Three years or more	976	1,966	3,688	4,667
	Short-term	6,416	7,276	6,631	5,992
	Subtotal	**52,207**	**62,122**	**71,180**	**70,004**
Omick	Long-term	–	–	–	–
	Short-term	–	–	1,114	2,633
	Subtotal	**–**	**–**	**1,114**	**2,633**
INFORMATION TECHNOLOGY					
Xinhua Internet	Long-term	23,080	22,798	24,234	28,621
	– One to less than two years	903	809	950	1,182
	– Two to less than three years	17,471	15,624	14,840	16,189
	– Three years or more	4,706	6,365	8,444	11,250
	Short-term	1,004	966	747	387
	Subtotal	**24,084**	**23,764**	**24,981**	**29,008**
Wisezone	Long-term	–	–	–	–
	Short-term	–	1,138	1,165	1,229
	Subtotal	**–**	**1,138**	**1,165**	**1,229**

Segments and Brands	Average Students Enrolled[(1)]	Year ended December 31, 2015	2016	2017	Eight months ended August 31, 2018
AUTO SERVICES					
Wontone	Long-term	16,175	16,693	16,347	16,850
	– One to less than two years	2,777	2,802	2,241	2,547
	– Two to less than three years	11,347	10,748	10,169	10,223
	– Three years or more	2,051	3,143	3,937	4,080
	Short-term	1,261	1,378	1,753	1,834
	Subtotal	**17,436**	**18,071**	**18,100**	**18,684**
Total	Long-term	85,046	94,337	105,130	109,483
	– One to less than two years	12,769	12,821	12,443	11,508
	– Two to less than three years	64,544	70,042	76,618	77,978
	– Three years or more	7,733	11,474	16,069	19,997
	Short-term	8,681	10,758	11,410	12,075
	Total	**93,727**	**105,095**	**116,540**	**121,558**
Cuisine Academy	Average number of customers registered[(2)]	–	–	63	447

Note:

(1) As our Schools provide various vocational training education programs during a year and the course length and commencement of our long-term and short-term programs are different, we believe that the average students enrolled is a measure that is comparable to that of our competitors and therefore can more fairly present our ranking and market position in the industry. Our average students enrolled for a year/period is only an approximation representing the sum of the number of students enrolled at our operating Schools at the end of each month divided by the number of months during such period, without taking into account any transfer or withdrawal.

(2) Our average number of customers registered for a year/period represents the sum of the number of customers registered at Cuisine Academy at the end of each month divided by the number of months during such period during such period, without taking into account any withdrawal.

For the year ended December 31, 2017 and the eight months ended August 31, 2018, we had an average of 63 and 447 customers participating in the customized catering experience centers under Cuisine Academy.

Due to the different income and consumption levels in different areas of China, the tuition fee rates and service fee rates we charge vary across geographical markets. The following table sets forth ranges of our tuition fee rates under each school brand and service fee rates of Cuisine Academy for the periods indicated:

Segments and Brands		Tuition/Service fees 2015[1]	2016[1]	2017[1]	2018[1]
		(RMB per year for long-term program, RMB per program for short-term program/program in Cuisine Academy, unless otherwise indicated)			
CULINARY ARTS					
New East	**Long-term**	10,400-34,480	10,400-34,500	11,400-36,800	5,600-76,000
	Short-term[2]	1,200-19,240	1,200-18,100	1,200-58,000[3]	800-58,000[3]
Omick	**Long-term**	–	–	–	–
	Short-term[2]	–	–	9,000-47,000	5,000-50,000
INFORMATION TECHNOLOGY					
Xinhua Internet	**Long-term**	10,180-31,800	5,980-35,800	6,680-39,800	6,680-37,800[4]
	Short-term[2]	1,300-22,390	1,900-22,590	800-28,800	800-29,300
Wisezone	**Long-term**	–	–	–	–
	Short-term[2]	–	2,000-14,800	2,000-29,800	999-26,800
AUTO SERVICES					
Wontone	**Long-term**	13,600-31,000	12,800-36,800	6,680-38,500	4,800-38,500
	Short-term[2]	3,000-20,100	680-32,600	680-37,400	800-37,400
Cuisine Academy[4]	**Customized catering experience program**	–	–	360-16,000	1,980-18,800

Notes:

(1) We charge tuition fees to students enrolled at our schools. Tuition fees of our long-term programs are charged based on the yearly tuition standards of different programs that students enrolled in such year.

(2) Tuition fees of our short-term programs are charged by each program that students enrolled in.

(3) Tuition fees of our HK New Oriental generally ranged from HKD500 to HKD27,500 in 2017 and from HKD580 to HKD28,500 in 2018.

(4) The high-end of the tuition fee we charged for the long-term programs of Xinhua Internet decreased from RMB39,800 to RMB37,800 from 2017 to 2018 mainly because we ceased to offer the course which charged RMB39,800 per year in 2018.

(5) We charge customers service fees by each program they registered in Cuisine Academy.

Cost of Revenue

Our cost of revenue consists of teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses, campus maintenance and depreciation, utilities and office expenses. Teaching staff salary and benefits consist of salaries and benefits for our teaching staff. Student and teaching activity related costs primarily consist of costs of raw materials for skills training, costs of student activities, costs of teaching materials, and other costs in relation to our students. Leasing expenses primarily consist of rental fees we pay to rent the premises of our Schools. Campus maintenance and depreciation primarily consist of expenses we incur for the maintenance and renovation of our school campuses and facilities as well as depreciation and amortization for our school facilities and teaching equipment. Utilities represent the utility costs incurred by our Schools. Office expenses primarily consisted of office equipment expenses, meeting expenses and other office overhead costs. Our cost of revenue was RMB840.7 million, RMB1,014.3 million, RMB1,281.3 million RMB761.5 million, and RMB990.9 million for the years ended December 31, 2015, 2016, and 2017 and the eight months ended August 31, 2017 and 2018, respectively.

The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Cost	% of Total	Cost	% of Total	Cost	% of Total	Cost	% of Total	Cost	% of Total
	(RMB in thousands except percentages)									
							(Unaudited)			
Teaching staff salaries and benefits	262,108	31.2	305,784	30.1	376,417	29.4	236,265	31.0	300,209	30.3
Student and teaching activity related costs	239,242	28.5	283,679	28.0	348,354	27.2	196,758	25.8	241,567	24.4
Leasing expenses	127,172	15.1	158,268	15.6	217,042	16.9	124,888	16.4	177,728	17.9
Campus maintenance and depreciation	148,728	17.7	178,500	17.6	239,728	18.7	153,628	20.2	201,302	20.3
Utilities	34,469	4.1	40,788	4.0	52,300	4.1	29,710	3.9	41,238	4.2
Office expenses	28,951	3.4	47,246	4.7	47,498	3.7	20,248	2.7	28,898	2.9
Total	840,670	100	1,014,265	100.0	1,281,339	100.0	761,497	100.0	990,941	100.0

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees and service fees during the Track Record Period, and (ii) the effect of the fluctuations of our teaching staff salaries and benefits during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees, service fees, teaching staff salaries and benefits is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year with a 5% and 10% increase or decrease in revenue from tuition fees, service fees, teaching staff salaries and benefits. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition, service fees, teaching related costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition and service fees income and teaching staff costs presents a meaningful analysis of the potential impact of changes in the tuition, service fees, teaching staff salaries and benefits on our revenue and profitability.

	For the year ended December 31,			Eight months ended August 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(RMB in thousands)				
				(Unaudited)	
Tuition and service fees income (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	(182,567)	(232,009)	(283,965)	(178,062)	(204,949)
(5)%	(91,283)	(116,004)	(141,982)	(89,031)	(102,475)
5%	91,283	116,004	141,982	89,031	102,475
10%	182,567	232,009	283,965	178,062	204,949
Teaching staff salaries and benefits (decrease)/increase	**Impact on our profit for the year/period**				
(10)%	26,211	30,578	37,642	23,627	30,021
(5)%	13,105	15,289	18,821	11,813	15,010
5%	(13,105)	(15,289)	(18,821)	(11,813)	(15,010)
10%	(26,211)	(30,578)	(37,642)	(23,627)	(30,021)

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of revenue. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, our gross profit was RMB987.5 million, RMB1,321.5 million, RMB1,568.8 million, RMB1,028.7 million, and RMB1,064.2 million, respectively, and our gross profit margin was 54.0%, 56.6%, 55.0%, 57.5%, and 51.8%, respectively. Our gross profit margin decreased from 56.6% for the year ended December 31, 2016 to 55.0% for the year ended December 31, 2017 and further to 51.8% for the eight months ended August 31, 2018 as we operated 39 new Schools in 2017 and 21 new Schools for the eight months ended August 31, 2018. Generally, the establishment of new schools has a negative impact on our gross profit margin. During the initial ramp-up period after a new school commences operations, we incur substantial fixed costs for teaching staff salaries and benefits, teaching activity costs, leasing expenses, and other fixed costs while initial revenue from the new school is limited due to the relatively small beginning number of student enrollment.

The table below sets forth a breakdown of our gross profit by brand and the gross profit margin for each brand for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
							(Unaudited)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands except percentages)									
Continuing operations										
New East	562,386	53.2%	826,305	57.7%	1,029,223	59.2%	655,694	59.4%	703,957	57.1%
Xinhua Internet	242,045	54.6%	266,272	55.4%	302,337	55.8%	198,472	59.6%	210,028	57.7%
Wontone	178,790	55.9%	197,890	55.9%	216,611	51.7%	137,066	53.4%	114,711	41.3%
Omick	–	–	–	–	5,890	7.9%	17,187	38.8%	38,551	31.4%
Wisezone	3,821	70.5%	22,390	42.1%	13,342	20.8%	13,312	30.9%	2,061	5.0%
Cuisine Academy	–	–	–	–	(2,664)	-800.0%	–	–	(5,964)	-51.7%
Other Miscellaneous Businesses[(1)]	494	19.4%	8,608	55.0%	4,087	38.9%	6,998	72.8%	844	15.0%
Total	987,536	54.0%	1,321,465	56.6%	1,568,826	55.0%	1,028,729	57.5%	1,064,188	51.8%

(1) Other miscellaneous businesses primarily include gross profit derived from the internet technology solution and staff outsourcing services provided by Langjie Technology to Independent Third Parties.

New East Culinary Education's gross profit margin increased from 53.2% for 2015 to 57.7% for 2016 primarily because the growth in its revenue outpaced the increase in its cost of revenue, which in turn was because in 2016 the growth in long-term program student enrollment increased at a higher rate than that of short-term student enrollment. Long-term programs generally have higher gross profit margins than short-term programs. New East Culinary Education's gross profit margin increased from 57.7% in 2016 to 59.2% in 2017, mainly because the growth in its revenue outpaced the increase in its cost of revenue. New East Culinary Education's gross profit margin decreased from 59.4% for the eight months ended August 31, 2017 to 57.1% for the eight months ended August 31, 2018 primarily because in 2018 some newly established Schools in this segment began operations and negatively impacted the gross profit margin.

Xinhua Internet Technology Education's gross profit margin remained relatively stable throughout the Track Record Period because its Schools generally have relatively long operating histories and stable results of operations. Xinhua Internet Technology Education's gross profit margin decreased from 59.6% for the eight months ended August 31, 2017 to 57.7% for the eight months ended August 31, 2018 primarily due to a larger increase in costs relating to campus maintenance and renovation as a result of equipment upgrade and replacement in 2018 compared to the same period in 2017.

Wontone Automotive Education's gross profit margin decreased from 55.9% for 2016 to 51.7% for 2017 primarily because in 2017 eight newly established Schools in this segment began operations and negatively impacted the gross profit margin in 2017. Wontone Automotive Education's gross profit margin decreased from 53.4% for the eight months ended August 31, 2017 to 41.3% for the eight months ended August 31, 2018 primarily because in addition to the eight newly established Schools that commenced operations in 2017, in 2018 two newly established Schools in this segment began operations and negatively impacted the gross profit margin for the relevant period in 2018.

Omick Education of Western Cuisine and Pastry's gross profit margin decreased from 38.8% for the eight months ended August 31, 2017 to 31.4% for the eight months ended August 31, 2018 primarily because we established 13 new Schools in the fourth quarter of 2017 which incurred a large amount of fixed costs, which did not impact the gross profit margin for the eight months ended August 31, 2017 as the new Schools were established after August 31, 2017 but had a negative impact on the gross profit margin for the eight months ended August 31, 2018 because the fixed costs were higher but revenue was still limited during the initial ramp-up period.

Wisezone Data Technology Education's gross profit margin fluctuated during the Track Record Period because this business segment was still evolving and had limited operational record. Wisezone Data Technology Education's gross profit margin decreased from 70.5% for the year ended December 31, 2015 to 42.1% for the year ended December 31, 2016, and further decreased to 20.8% for the year ended December 31, 2017, primarily as a result of increases in staff costs and rental fees for school premises. Wisezone Data Technology Education leased additional school premises and hired more teachers to expand its business. As a result the fixed costs increased significantly but revenue was relatively limited at the initial stage, resulting in a decrease in gross profit margin. Wisezone Data Technology Education's gross profit margin decreased from 30.9% for the eight months ended August 31, 2017 to 5.0% for the eight months ended August 31, 2018, primarily due to the increases in staff costs and expenses for procuring teaching equipment as we hired new teachers and opened new courses for our newly established Schools in 2018. Wisezone Data Technology Education intends to continue to optimize its course offerings, enhance the cost efficiency of its marketing and promotional efforts and expand its student base to improve its gross profit margin.

Cuisine Academy incurred losses for 2017 and the eight months ended August 31, 2018 primarily because we commenced our operations of Cuisine Academy in 2017 and incurred significant fixed costs at the beginning but the revenue was still limited at the initial stage of operations.

Other Income

Other income consists of asset-related government grants, unconditional government grants, interest income from banks, interest income from related parties, interest income from third parties, and others. The following table sets forth the breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB in thousands)		
Continuing operations					
Asset-related government grants	438	2,176	1,146	733	668
Unconditional government grants	6,682	8,781	15,076	7,297	17,455
Interest income from banks	1,976	9,034	16,959	5,868	12,443
Interest income from related parties	7,439	–	–	–	–
Interest income from third parties	14,582	–	–	–	–
Others	143	1,587	1,222	714	1,727
Total	31,260	21,578	34,403	14,612	32,293

During the Track Record Period, we received certain asset-related government grants, which were granted to us for procuring land to build practical skills training facilities and to purchase practical skills training equipment. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, revenue derived from asset-related government grants was RMB0.4 million, RMB2.2 million, RMB1.1 million, RMB0.7 million and RMB0.7 million, respectively. During the Track Record Period, we also received certain unconditional government grants, which were used by local governments to encourage the development of vocational education in those areas. Certain local governments provided unconditional grants to vocational education providers like us for the numbers of student we trained each year. For the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018, the amount of unconditional government grants was RMB6.7 million, RMB8.8 million, RMB15.1 million, RMB7.3 million and RMB17.5 million, respectively. Interest income from third parties was the interest income from financial intuitions other than banks due to the higher earnings ratio they provided. During the Track Record Period, we only received interest income from certain non-bank financial institutions in 2015 due to the one-time experimental investment we made in expectation of higher return on investments.

Other Gains and Losses

Our other gains and losses consists of net gain on structured deposit and losses or gains on disposals of property and equipment. The following table sets forth the breakdown for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
			(RMB in thousands)		
Continuing operations					
Net gains on financial assets at FVTPL	10,372	27,457	61,077	30,083	28,169
(Losses) gains on disposals of property and equipment	(1,066)	(753)	(1,268)	158	327
Total	9,306	26,704	59,809	30,241	28,496

Selling Expenses

Selling expenses primarily consist of sales and marketing staff salaries and benefits, advertising expenses, sales and market costs, travel expenses, depreciation and amortization, and others. Sales and marketing staff salaries and benefits consist of salaries and benefits for our marketing staff, salespersons, and other staff in other marketing and publicity functions. Advertising expenses include expenses for our commercials placed on various platforms such as the internet, television, and outdoor billboards, as well as related costs such as website designing and maintenance expenses, and other expenses related to advertising activities. Sales and marketing costs are primarily for promotional brochures and other items used for sales and marketing activities. Travel expenses relate to expenses our sales and marketing staff incurred for business travel. Depreciation and amortization expenses relate to depreciation and amortization of our assets used for sales and marketing activities. Others primarily consist of other overhead expenses in connection with sales and marketing activities.

The following table sets forth the breakdown of our selling expenses for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
	(RMB in thousands)				
Sales and marketing staff salaries and benefits	88,388	115,988	159,151	102,282	166,865
Advertising expenses	226,117	224,622	263,695	176,780	240,256
Sales and marketing costs	11,017	13,562	21,294	13,513	18,871
Sales and marketing travel expenses	4,248	4,959	6,204	4,318	6,305
Depreciation and amortization	2,621	3,137	4,308	2,754	4,245
Others	2,609	1,621	2,274	1,483	1,828
Total	335,000	363,889	456,926	301,130	438,370

Administrative Expenses

Administrative expenses primarily consist of salaries and benefits for administrative staff, depreciation and amortization, administrative office expenses, professional consulting service expenses, transportation costs, meeting expenses, travel expenses, leasing expenses, bank charges and others. Salaries and benefits for administrative staff represent salaries and benefits paid to our staff in an administrative function. Depreciation and amortization expenses are for the depreciation and amortization of our assets used for general office administrative purposes. Professional consulting service expenses represent fees we paid to professional parties for consulting, legal and auditing services rendered. Transportation costs represent costs incurred for local transportation in connection with administrative activities. Meeting expenses represent expenses for various meetings we organized or participated in. Travel expenses represent expenses incurred by our administrative personnel for business travels. Leasing expenses are for renting our administrative offices. Bank charges represent miscellaneous charges by our banks. Others primarily include fees we paid to recruiting websites to recruit teachers and other staff and miscellaneous administrative tax expenses.

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
	(RMB in thousands)				
Administrative staff salaries and benefits	146,737	173,605	213,101	134,766	155,446
Depreciation and amortization	33,044	27,639	38,921	21,288	30,541
Administrative office expenses	28,041	33,859	42,440	25,222	32,704
Professional consulting service expenses	4,414	3,841	5,391	3,686	3,627
Transportation costs	11,125	12,546	13,996	8,692	9,766
Meeting expenses	5,966	6,333	7,499	4,548	5,606
Travel expenses	8,780	9,762	11,587	6,250	6,649
Leasing expenses	5,566	3,812	6,624	3,109	2,353
Banking charges	2,144	2,454	3,433	2,234	3,432
Others (1)	3,750	3,947	6,944	3,750	5,180
Total	249,567	277,798	349,936	213,545	255,304

Note:

(1) Others primarily include fees we paid to recruiting websites to recruit teachers and other staff and miscellaneous administrative tax expenses.

[**REDACTED**]

We incurred RMB[**REDACTED**] of expenses in relation to the [**REDACTED**] for the eight months ended August 31, 2018, which primarily consist of fees paid to professional parties. We did not incur any listing expenses for the years ended December 31, 2015, 2016 and 2017.

Income Tax Expenses

PRC Income Tax

Our subsidiaries established in China were subject to the PRC EIT of 25% during the Track Record Period, except for subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the Track Record Period. For further details, see note eight to the Accountants' Report set out in Appendix I to this document.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. During the Track Record Period, our six non-profit Schools located in Hebei, Jiangxi and Jiangsu provinces have received EIT exemption confirmations/approvals from relevant local tax authorities.

- Two subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are recognized as the high and new technology enterprises by the local governments in China.

- 26 subsidiaries of the Company are entitled to the preferential tax rate of 15% because they are located in the western region of China.

- One subsidiary of the Company are entitled to the preferential tax rate of 20% because they are recognized as the small and micro businesses by the local governments in China.

The following table sets forth our current PRC EIT from continuing operation and deferred tax charge information:

	Year ended December 31,			Eight months ended August 31,	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
	(RMB in thousands)				
Continuing operations					
PRC EIT					
– Current tax	86,114	132,917	171,235	137,455	119,726
Deferred tax charge (credit)	(1,631)	(639)	(270)	(117)	(8,268)
Total	84,483	132,278	170,965	137,278	111,458

Our current PRC EIT from continuing operation increased from RMB86.1 million for the year ended December 31, 2015 to RMB132.9 million for the year ended December 31, 2016 and further increased to RMB171.2 million for the year ended December 31, 2017, primarily due to the increases in our taxable profit. Our current PRC EIT from continuing operation decreased from RMB137.5 million for the eight months ended August 31, 2017 to RMB119.7 million for the eight months ended August 31, 2018, mainly attributable to a decrease in our taxable profit as a result of the increased teaching staff salaries and benefits. Our deferred tax charge increased from RMB0.1 million for the eight months ended August 31, 2017 to RMB8.3 million for the eight months ended August 31, 2018, primarily due to an increase in advertisement fees we incurred, which are tax deductible expenses. Our deferred tax charge decreased in the past three years, primarily because the tax deductible expenses remained relatively stable while our revenue increased during the years.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of certain of research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year. We have made its best estimate for the additional deduction to be claimed for our entities in ascertaining their assessable profits during the Track Record Period.

Cayman Islands Income Tax

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong Profit Tax

No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong.

Discontinued Operation

We disposed of a group of subsidiaries consisting of (i) six companies located in Hefei, Nanjing, Xi'an, Chongqing and Changsha, respectively, which were all engaged in the operation of automobile driving training schools; and (ii) Miwei Technology, which operates two mobile applications at the time of its disposal. Except for Hefei Xin'an, the disposal of these companies were completed in or before December 2018. The disposal of Hefei Xin'an is expected to be completed before the [**REDACTED**]. We disposed of these businesses in order to focus our resources and management attention on our five primary brands and customized catering service centers.

The loss for the year/period from discontinued operation is set out below:

	Year ended December 31,			Eight months ended August 31,	
	2015	**2016**	**2017**	**2017**	**2018**
	(RMB in thousands)				
				(Unaudited)	
Revenue	46,708	52,702	40,184	29,670	20,588
Cost of revenue	(46,538)	(52,264)	(44,514)	(29,133)	(20,260)
Gross profit (loss)	170	438	(4,330)	537	328
Other income and expenses	6,040	(214)	267	81	396
Selling expenses	(8,770)	(9,829)	(7,139)	(4,698)	(3,657)
Administrative expenses	(15,585)	(12,671)	(8,367)	(4,915)	(4,816)
Loss before taxation from discontinued operation	(18,145)	(22,276)	(19,569)	(8,995)	(7,749)
Income tax credit	311	375	–	–	–
Loss for the year/period from discontinued operation	(17,834)	(21,901)	(19,569)	(8,995)	(7,749)
Loss for the year/period from discontinued operation include the followings:					
Staff costs					
– salaries and other allowances	28,173	30,450	23,963	16,416	11,411
– retirement benefit scheme contributions	3,258	3,727	3,382	2,354	1,751
Total staff costs	31,431	34,177	27,345	18,770	13,162
Interest income from related parties	808	–	–	–	–
Interest income from third parties	5,254	–	–	–	–
Depreciation of property and equipment	11,007	10,210	9,314	7,040	5,178
Purchase of property and equipment	3,201	6,133	4,157	2,529	820
Operating lease rental expenses in respect of rental premises	3,091	4,001	5,995	3,111	3,751

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Eight Months Ended August 31, 2018 Compared to Eight Months Ended August 31, 2017

Continuing Operations

Revenue

Our revenue increased by 14.8% from RMB1,790.2 million for the eight months ended August 31, 2017 to RMB2,055.1 million for the eight months ended August 31, 2018. This increase was primarily due to increases in revenue derived from our New East Culinary Education, Xinhua Internet Technology Education, Wontone Automotive Education, Omick Education of Western Cuisine and Pastry, and Cuisine Academy business segments.

Revenue generated from New East Culinary Education increased by RMB128.3 million, or 11.6%, from RMB1,103.7 million for the eight months period ended August 31, 2017 to RMB1,232.0 million for the eight months period ended August 31, 2018, primarily as a result of an increase in the tuition fee rates and more students enrolled in long-term programs, which charge higher tuition rates. The tuition fee rates for long-term courses increased from RMB11,400 to RMB36,800 for the eight months ended August 31, 2017, to RMB5,600 to RMB76,000 for the eight months ended August 31, 2018.

Revenue generated from Xinhua Internet Technology Education increased by RMB31.5 million, or 9.5%, from RMB332.8 million for the eight months ended August 31, 2017 to RMB364.3 million for the eight months ended August 31, 2018 due to increases in the average students enrolled and the tuition fee rates. The average students enrolled for Xinhua Internet Technology Education increased from approximately 24,541 for the eight months ended August 31, 2017 to approximately 29,008 for the eight months ended August 31, 2018. The tuition fee rates for most of our long-term courses increased for the eight months ended August 31, 2017, compared with the eight months ended August 31, 2018.

Revenue generated from Wontone Automotive Education increased by RMB20.8 million, or 8.1%, from RMB256.7 million for the eight months ended August 31, 2017 to RMB277.5 million for the eight months ended August 31, 2018. The increase was primarily due to increases in the average students enrolled and the tuition fee rates. The average students enrolled for Wontone Automotive Education increased from 18,469 for eight months ended August 31, 2017 to 18,684 for eight months ended August 31, 2018. Our tuition fee rates for most of Wontone Automotive Education's long-term courses increased for the eight months ended August 31, 2017, compared with the eight months ended August 31, 2018.

Revenue generated from Omick Education of Western Cuisine and Pastry increased by RMB78.4 million, or 177.0%, from RMB44.3 million for the eight months ended August 31, 2017 to RMB122.7 million for the eight months ended August 31, 2018 as a result of the commencement of operations of new Schools which lead to an increase in the average students enrolled from 1,121 for eight months ended August 31, 2017 to 2,633 for eight months ended August 31, 2018.

Revenue generated from Wisezone Data Technology Education decreased by RMB1.5 million, or 3.5%, from RMB43.1 million for the eight months ended August 31, 2017 to RMB41.6 million for the eight months ended August 31, 2018 primarily because we disposed of our staff outsourcing services to Langjie Technology and Wisezone Data Technology Education recorded revenue for such services for the eight months ended August 31, 2017 but not for the eight months ended August 31, 2018.

Revenue generated from Cuisine Academy increased from nil for the eight months ended August 31, 2017 to RMB11.5 million for the eight months ended August 31, 2018. We commenced operation of our Cuisine Academy in September 2017 and there was no revenue generated by Cuisine Academy for the eight months ended August 31, 2017.

Revenue generated from others decreased by RMB4.0 million from RMB9.6 million for the eight months ended August 31, 2017 to RMB5.6 million for the eight months ended August 31, 2018 because Anhui Simai'er Catering Co. Ltd. conducted certain catering business in the eight months ended August 31, 2017 but did not conduct this business in the eight months ended August 31, 2018.

Cost of Revenue

Cost of sales increased by 30.1% from RMB761.5 million for the eight months ended August 31, 2017 to RMB990.9 million for the eight months ended August 31, 2018. This increase was primarily due to the increases in teaching staff salaries and benefits and in student and teaching activity related costs. We hired additional teaching staff to meet needs of the increased number of students and we increased our teaching staff's salary in 2017 as well. The increase in student and teaching activity related costs was primarily due to the increased cost of procuring practical training raw materials and equipment to meet the needs of the increased number of students. The increase in campus maintenance and depreciation mainly due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

Gross Profit and Gross Profit Margin

Gross profit increased by 3.5% from RMB1,028.7 million for the eight months ended August 31, 2017 to RMB1,064.2 million for the eight months ended August 31, 2018. Our gross profit margin decreased from 57.5% for the eight months ended August 31, 2017 to 51.8% for the eight months ended August 31, 2018, primarily because we had 21 newly established Schools for the eight months ended August 31, 2018. During the initial ramp-up period after a new school commences operations, it incurred the same fixed costs for staff compensation, rent and other fixed costs while its revenue is limited due to the relatively small beginning number of student enrollment. As a result, new schools during ramp-up period have a negative impact on our gross profit margin.

Other Income

Other income increased by RMB17.7 million, or 121.2%, from RMB14.6 million for the eight months ended August 31, 2017 to RMB32.3 million for the eight months ended August 31, 2018, primarily due to an increase of RMB10.2 million in unconditional government grants pursuant to local government policies to encourage vocational education service providers like us to bring quality practical skill training to their areas. Also, we had an increase of RMB6.6 million in interest income from banks as a result of an increase in cash on bank deposit. In late 2016 and early 2017, we adopted a new cash management system across all our Schools in China, which allowed our headquarters to collect unutilized cash from local Schools and re-invest the cash based on decisions made by our central management team.

Other Gains and Losses

Our other gains decreased by 5.8% from RMB30.2 million for the eight months ended August 31, 2017 to RMB28.5 million for the eight months ended August 31, 2018, primarily due to a RMB1.9 million decrease in net gain on structured deposits, which represent our investment in certain restricted low risk debt instruments arranged by banks for terms of less than one year. Each investment in such structured deposits was reviewed by our director of finance and accounting and ultimately signed off by our Chairman.

Selling Expenses

Selling expenses increased by 45.6% from RMB301.1 million for the eight months ended August 31, 2017 to RMB438.4 million for the eight months ended August 31, 2018, primarily due to the increase in sales and marketing staff salaries and benefits and advertising expenses. We increased our expenses relating to selling and marketing efforts to promote our brand name and facilitate the student recruitment of our newly established Schools in the eight months ended August 31, 2018.

Administrative Expenses

Our administrative expenses increased by 19.6% from RMB213.5 million for the eight months ended August 31, 2017 to RMB255.3 million for the eight months ended August 31, 2018, primarily due to increases in administrative staff salaries and benefits, administrative office expenses, and professional consulting service fees. Our administrative salaries and benefits increased because we hired additional administrative staff to meet the increasing needs due to the expansion of our school network. The professional consulting service expenses increased because we engaged more business consultants for consulting services due to the expansion of our school network.

Income Tax Expense

Our income tax expenses decreased by 18.8% from RMB137.3 million for the eight months ended August 31, 2017 to RMB111.5 million for the eight months ended August 31, 2018, primarily because of the decrease in our taxable income from August 31, 2017 to August 31, 2018.

Profit and Total Comprehensive Income for the Period from Continuing Operations

As a result of all the factors mentioned above, our profit and total comprehensive income for the period from continuing operations decreased by 27.0% from RMB407.2 million for the eight months ended August 31, 2017 to RMB297.3 million for the eight months ended August 31, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Continuing Operations

Revenue

Our revenue increased by RMB514.5 million, or 22.0%, from RMB2,335.7 million for the year ended December 31, 2016 to RMB2,850.2 million for the year ended December 31, 2017, which was primarily driven by an increase in revenue from tuition fees as a result of the increase in the student enrollment. Our average students enrolled increased from 105,095 for 2016 to 116,540 for 2017.

Revenue generated from our New East Culinary Education brand increased by RMB306.6 million, or 21.4%, from RMB1,432.1 million for the year ended December 31, 2016 to RMB1,738.7 million for the year ended December 31, 2017, primarily as a result of an increase from tuition fees we received from our students. Under our New East Culinary Education brand, our average students enrolled increased from 62,122 for 2016 to 71,180 for 2017, and our tuition fee rate range increased from a range of RMB17,000-RMB32,000 in 2016 to RMB18,000-RMB33,800 in 2017 for long-term courses, and from a range of RMB1,600-RMB17,000 in 2016 to RMB1,700-RMB20,000 in 2017 for short-term courses.

Revenue generated from Xinhua Internet Technology Education increased by RMB61.7 million, or 12.8%, from RMB480.5 million for the year ended December 31, 2016 to RMB542.2 million for the year ended December 31, 2017, primarily due to the increase in tuition fees we received. Our average students enrolled increased from approximately 23,764 for 2016 and approximately 24,981 for 2017, and our tuition fee rate range increased from a range of RMB13,000-RMB23,800 in 2016 to RMB13,000-RMB25,000 in 2017 for long-term courses, and from a range of RMB1,500-RMB12,000 in 2016 to RMB1,600-RMB12,000 in 2017 for short-term courses.

Revenue generated from Wontone Automotive Education increased by RMB65.0 million, or 18.3%, from RMB354.3 million for the year ended December 31, 2016 to RMB419.3 million for the year ended December 31, 2017 primarily as a result of the increase in tuition fees from our students. We established eight new Wontone Schools in 2017. The average students enrolled remained relatively stable with a total of 18,071 for 2016 and 18,100 for 2017, while new student enrollment increased from 14,449 for 2016 to approximately 16,203 for 2017. The tuition fee rate range increased from a range of RMB11,000-RMB23,800 in 2016 to RMB12,000-RMB25,800 in 2017 for long-term courses, and from a range of RMB2,500-RMB11,800 to RMB2,500-RMB14,000 in 2017 for short-term courses.

Revenue generated from Omick Education of Western Cuisine and Pastry increased from nil for the year ended December 31, 2016 to RMB74.8 million for the year ended December 31, 2017 as a result of our newly establish Schools under this brand. We opened one new School under the Omick Education of Western Cuisine and Pastry brand in 2016 but did not admit any student in 2016. In 2017, we established two more Schools under this brand with approximately 1,114 average students enrolled for 2017.

Revenue generated from Wisezone Data Technology Education increased by RMB10.9 million, or 20.5%, from RMB53.2 million for the year ended December 31, 2016 to RMB64.1 million for the year ended December 31, 2017 primarily due to increase in tuition fees we received as a result of our increased new student enrollment and increased tuition fee rates. Our new student enrollment increased from 3,465 for 2016 to 3,573 for 2017. Our average students enrolled remained relatively stable, from a total of 1,138 for 2016 to 1,165 for 2017. Our tuition fee rate range increased from RMB9,800-RMB14,800 in 2016 to RMB10,800-RMB19,800 in 2017.

Revenue generated from Cuisine Academy increased from nil for the year ended December 31, 2016 to RMB0.3 million for the year ended December 31, 2017. Our Cuisine Academy brand commenced operations in 2017 and therefore had a relatively low revenue in 2017 and nil in the previous year.

Cost of Revenue

Cost of revenue increased by RMB267 million, or 26.3%, from RMB1,014.3 million for the year ended December 31, 2016 to RMB1,281.3 million for the year ended December 31, 2017. This increase was primarily due to increases in teaching staff salaries and benefits, student and teaching activity related costs, leasing expenses and campus maintenance and renovation expenses. Teaching staff salaries and benefits increased primarily due to our increasing number of newly hired teaching staff to meet the needs of our increased number of students. Also, we increased teaching staff's salary in 2017 to maintain our competitive teaching staff team. Student and teaching activity related costs increased primarily due to the increase of average students enrolled from 105,095 for the year ended December 31, 2016 to 116,603 for the year ended December 31, 2017. As a result, we increased our expenses for procurement of raw materials and equipment related to practical training. Leasing expense increased primarily due to the expansion of our school network and we leased campuses for our newly opened Schools. Campus maintenance and depreciation increased primarily due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB247.3 million or 18.7% from RMB1,321.5 million for the year ended December 31, 2016 to RMB1,568.8 million for the year ended December 31, 2017. Our gross profit margin decreased slightly from 56.6% for 2016 to 55.0% for 2017, primarily because our two brands, Omick Education of Western Cuisine and Pastry and Cuisine Academy, established new Schools/workshops and began operations in 2017, and we also added 39 more new Schools during 2017 compared with 2016. During the initial ramp-up period after a new School commences operations, it incurred substantial fixed costs for staff compensation, rent and other fixed costs while its revenue is limited due to the relatively small beginning number of student enrollment. As a result, new Schools during ramp-up period have a negative impact on our gross profit margin.

Other Income

Other income increased by RMB12.8 million, or 59.3%, from RMB21.6 million for the year ended December 31, 2016 to RMB34.4 million for the year ended December 31, 2017. The increase was primarily due to an increase of RMB6.3 million in unconditional government grants. We were eligible for such unconditional government grants pursuant to local government policies to encourage vocational education service providers like us to bring quality practical skill training to their areas. Also, we had an increase of RMB7.9 million in interest income from banks as a result of an increase in cash on bank deposit. In late 2016 and early 2017, we adopted a new cash management system across all our Schools in China, which allowed our headquarters to collect unutilized cash from local Schools and re-invest the cash based on decisions made by our central management team.

Other Gains and Losses

Other gains increased by RMB33.1 million, or 124.0%, from RMB26.7 million for the year ended December 31, 2016 to RMB59.8 million for the year ended December 31, 2017. The increase was primarily due to a RMB33.6 million increase in net gain on structured deposits, which represent our investment in certain restricted low risk debt instruments arranged by banks for terms of less than one year. Each investment in such structured deposits was reviewed by our director of finance and accounting and ultimately signed off by our Chairman.

Selling Expenses

Selling expenses increased by RMB93.0 million, or 25.6%, from RMB363.9 million for the year ended December 31, 2016 to RMB456.9 million for the year ended December 31, 2017. The increase was primarily due to increases in sales and marketing staff salaries and benefits and advertising expenses to promote our market recognition and facilitate student recruitment.

Administrative Expenses

Our administrative expenses increased by RMB72.1 million, or 26.0%, from RMB277.8 million for the year ended December 31, 2016 to RMB349.9 million for the year ended December 31, 2017, primarily due to increases in administrative staff salaries and benefits and administrative office expenses. The administrative staff salaries and benefits increased due to the additional administrative staff we hired to meet the needs of our expanding school network. Our administrative office expenses increased as a result of the expansion of our school network.

Income Tax Expense

Income tax expense increased by 29.3% from RMB132.3 million for the year ended December 31, 2016 to RMB171.0 million for the year ended December 31, 2017, as a result of an increase in our taxable income.

Profit and Total Comprehensive Income for the Year from Continuing Operations

As a result of all the factors mentioned above, our profit and total comprehensive income for the year from continuing operations increased by 12.6% from RMB587.4 million for the year ended December 31, 2016 to RMB661.2 million for the year ended December 31, 2017.

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

Continuing Operations

Revenue

Our revenue increased by RMB507.5 million, or 27.8%, from RMB1,828.2 million for the year ended December 31, 2015 to RMB2,335.7 million for the year ended December 31, 2016, which was primarily driven by an increase in revenue from tuition fees as a result of our increased student enrollment. We had approximately 88,248 of newly admitted students in 2015 as compared to approximately 100,463 in 2016.

Revenue generated from our New East Culinary Education brand increased by RMB374.9 million, or 35.5%, from RMB1,057.2 million for the year ended December 31, 2015 to RMB1,432.1 million for the year ended December 31, 2016, primarily due to the increase from tuition fees we received from our students. The average students enrolled under our New East Culinary Education brand increased from 52,207 for 2015 to 62,122 for 2016, and new student enrollment increased from 56,984 for 2015 to 65,306 for 2016. Tuition fee rate range increased from RMB10,400-RMB34,480 in 2015 to RMB10,400-RMB34,500 in 2016 for long-term programs, and from RMB1,200-RMB19,240 in 2015 to RMB1,200-RMB58,000 in 2016 for short-term programs.

Revenue generated from Xinhua Internet Technology Education increased by RMB37.3 million, or 8.4%, from RMB443.2 million for the year ended December 31, 2015 to RMB480.5 million for the year ended December 31, 2016, primarily attributable to the increase in tuition fees we received as a result of our increased new student enrollment and increased tuition fee rates. Xinhua Internet Technology Education's new student enrollment increased from 16,813 in 2015 to 17,243 in 2016, while the average students enrolled remained relatively stable at 24,084 for 2015 and 23,764 for 2016. Tuition rate range increased from RMB11,000-RMB21,000 in 2015 to RMB13,000-RMB23,800 in 2016 for long-term programs, and from RMB1,500-RMB10,000 in 2015 to RMB1,500-RMB12,000 in 2016 for short-term programs.

Revenue generated from Wontone Automotive Education increased by RMB34.5 million, or 10.8%, from RMB319.8 million for the year ended December 31, 2015 to RMB354.3 million for the year ended December 31, 2016 primarily as a result of an increase in tuition fees from our students. The new student enrollment and average students enrolled were relatively stable from 2015 to 2016, with a total of 14,451 new student enrollment in 2015 compared to a total of 14,449 in 2016, and a total of 17,436 average students enrolled for 2015 compared to 18,071 for 2016. Tuition fee rate range increased from RMB13,600-RMB31,000 in 2015 to RMB12,800-RMB36,800 in 2016 for our long-term courses. As to our short-term courses, our tuition rate range was RMB3,000 to RMB20,100 in 2015 to RMB680 to RMB32,600 in 2016.

Omick Education of Western Cuisine and Pastry commenced its operation in 2017. As a result, there was no revenue generated in previous years.

Revenue generated from Wisezone Data Technology Education increased by RMB47.8 million, from RMB5.4 million for the year ended December 31, 2015 to RMB53.2 million for the year ended December 31, 2016 primarily due to the increase in tuition fees we received as a result of our new Schools opened in the year end of 2015. We established 16 new Wisezone Schools at the end of 2015, which commenced full operations in 2016, and as a result all revenue from these newly established Schools were received in 2016. We had a total of 3,465 new student enrollment and 1,138 average students enrolled in 2016.

Cuisine Academy commenced operations in 2017, and therefore no revenue was generated in any previous years.

Cost of Revenue

Cost of revenue increased by RMB173.6 million, or 20.6%, from RMB840.7 million for the year ended December 31, 2015 to RMB1,014.3 million for the year ended December 31, 2016. This increase was primarily due to costs in relation to our school network expansion with 20 new Schools established in 2015 and five new Schools in 2016. The costs primarily included leasing expenses and campus maintenance and renovation expenses. Teaching staff salaries and benefits increased primarily due to the increased number of our teaching staff which was in line with the needs of our increased number of students. We also raised our teaching staff's salary in 2016 to maintain our high-quality teaching team. Student and teaching activity related costs increased primarily due to the increased expenses for procurement of raw materials and equipment in relation to practical training as a result of the increase in our average students enrolled from 93,727 for the year ended December 31, 2015 to 105,095 for the year ended December 31, 2016. Leasing expense increased primarily due to the increase in expenses for leasing new campuses for our newly opened Schools. Campus maintenance and depreciation increased largely due to the increase in expenses for renovating school facilities in connection with the expansion of our school network.

Gross Profit and Gross Profit Margin

Gross profit increased by 33.8% from RMB987.5 million for the year ended December 31, 2015 to RMB1,321.5 million for the year ended December 31, 2016, which was in line with the growth of our business. Gross profit margin increased from 54.0% for 2015 to 56.6% in 2016, primarily because the proportion of new student enrollment in our long-term courses, which have relatively higher tuition fee rates, has increased.

Other Income

Other income decreased by RMB9.6 million, or 31.0%, from RMB31.3 million for the year ended December 31, 2015 to RMB21.6 million for the year ended December 31, 2016. The decrease was primarily due to our one-time experimental investments in non-bank financial institutions in 2015. We had RMB14.6 million interest income from the investment product from an Independent Third Party wealth management fund which amounted to RMB980.0 million. In addition, we received RMB7.4 million in interest income from related parties arising from a loan we made to related parties. Please see "— Related Party Transactions" for details.

Other Gains and Losses

Other gains increased by RMB17.4 million, or 187.1%, from RMB9.3 million for the year ended December 31, 2015 to RMB26.7 million for the year ended December 31, 2016. The increase was primarily due to the increase of our net gain on structured deposits we purchased amounted to RMB10.4 million in 2015 and RMB27.5 million in 2016, with an increase of RMB17.1 million. To ensure our prudent investment approach, we put a very strict investment approval structure in place. All investments are selected by our finance managers, then reviewed and approved by our director of finance and accounting at our headquarters, and eventually signed off by the Chairman of our board.

Selling Expenses

Selling expenses increased by RMB28.9 million, or 8.6%, from RMB335.0 million for the year ended December 31, 2015 to RMB363.9 million for the year ended December 31, 2016. The increase was primarily due to an increase in the sales and marketing staff salaries and benefits. We hired additional sales and marketing staff and raised salaries for the existing sales and marketing staff at that time, in order to build and maintain a competitive team.

Administrative Expenses

Our administrative expenses increased by RMB28.2 million, or 11.3%, from RMB249.6 million for the year ended December 31, 2015 to RMB277.8 million for the year ended December 31, 2016, primarily due to increases in administrative staff salaries and benefits and administrative office expenses. The administrative staff salaries and benefits increased primarily because we hired additional administrative staff. Our administrative office expenses increased primarily due to the expansion of our school network.

Income Tax Expense

Income tax expense increased by 56.6% from RMB84.5 million for the year ended December 31, 2015 to RMB132.3 million for the year ended December 31, 2016, as a result of the increase in our taxable income.

Profit and Total Comprehensive Income for the Year from Continuing Operations

As a result of all factors above, our profit and total comprehensive income for the year from continuing operations increased by RMB234.3 million or 66.3% from RMB353.1 million for the year ended December 31, 2015 to RMB587.4 million for the year ended December 31, 2016.

DISCUSSION OF SELECTED ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of August 31,	As of October 31,
	2015	2016	2017	2018	2018
					(Unaudited)
	(RMB in thousands)				
CURRENT ASSETS					
Inventories	20,267	26,896	29,899	33,636	31,730
Prepaid lease payments	2,010	2,010	2,940	2,940	2,940
Trade and other receivables	124,912	127,193	190,506	310,000	374,619
Tax recoverable	22,247	1,357	1,029	2,970	13,075
Other financial assets					
– measured at fair value through profit or loss ("FVTPL")	50,000	–	–	1,220,000	1,390,000
– measured at amortized cost	–	–	–	460,000	100,000
Bank balances and cash	906,135	1,738,599	2,034,750	372,033	334,395
TOTAL CURRENT ASSETS	1,125,571	1,896,055	2,259,124	2,401,579	2,246,759
CURRENT LIABILITIES					
Trade and other payables	235,339	308,010	471,082	484,125	533,730
Amounts due to the Controlling Equity Holders(1)	209,000	209,000	209,000	209,000	41,300
Dividend payable	–	–	–	232,100	122,958
Tax liabilities	21,221	81,085	101,566	86,547	10,141
Contract liabilities	794,012	955,170	1,089,507	1,588,507	1,476,482
TOTAL CURRENT LIABILITIES	1,259,572	1,553,265	1,871,155	2,600,279	2,184,611
NET CURRENT (LIABILITIES)/ASSETS	(134,001)	342,790	387,969	(198,700)	62,148

Note:

(1) Our Controlling Equity Holders refer to Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Guoqing.

As of August 31, 2018 we had net current liabilities of RMB198.7 million, as compared to net current assets of RMB388.0 million as of December 31, 2017. The change was primarily due to (i) a decrease of RMB1,662.7 million in bank balances and cash primarily because we had RMB1,680.0 million of other financial assets as of August 31, 2018 which had not been redeemed; (ii) an increase of RMB499.0 million in contract liabilities as a result of the increase in our student enrollment and tuition fee payment; and (iii) dividend payable of RMB232.1 million because we declared dividends in the eight months ended August 31, 2018, as partially offset by (i) an increase of RMB1,220.0 million in our other financial assets measured at fair value through profit or loss; (ii) an increase of RMB460.0 million in other financial assets measured at amortized cost; and (iii) an increase of RMB119.5 million in trade and other receivables primarily as a result of an increase of RMB34.3 million in prepayments for rental as we leased premises for new Schools during the expansion of our school network and an increase of RMB66.5 million in prepayments for advertisements as we increased our efforts to promote our brands and new Schools. As of October 31, 2018 we had net current assets of RMB62.1 million, as compared to net current liabilities of RMB198.7 million as of August 31, 2018. The change was primarily due to (i) an increase of RMB1,680.0 million in other financial assets as a result of our increased investments in financial products; (ii) an increase of RMB64.6 million in trade and other receivables, primarily due to the increased prepayments for renovation expenses of our new schools; and (iii) a decrease of RMB167.7 million in amounts due to the Controlling Equity Holders which had been fully settled in November 2018.

Our net current assets increased from RMB342.8 million as of December 31, 2016 to RMB388.0 million as of December 31, 2017, primarily as a result of (i) an increase in our bank balances and cash from RMB1,738.6 million as of December 31, 2016 to RMB2,034.8 million as of December 31, 2017, due to the increase in our average students enrolled and tuition fees paid in advance of each relevant course; and (ii) an increase of RMB63.3 million in trade and other receivables due to increases in prepayments for consumables, prepayments for rental and prepayments for advertisements as a result of the growth of our business and expansion of our school network, as partially offset by (i) an increase of RMB163.1 million in trade and other payables which in turn primarily resulted from an increase in payable for property and equipment and an increase in payroll payable due to the expansion of our school network and addition of new Schools.

As of December 31, 2015, we had net current liabilities of RMB134.0 million, as compared to net current assets of RMB342.8 million as of December 31, 2016. The change was primarily due to an increase of RMB832.5 million in our bank balances and cash. The expansion of our school network from 2015 to 2016 resulted in the increased tuition fees we received in cash during 2016. Also in 2016, our investment with non-bank financial institutions as well as our other financial assets measured at fair value through profit or loss were investments for terms shorter than a year, and we redeemed them for cash prior to the end of 2016, resulting in a significant increase in cash balance at the end of 2016. This increase in current assets was partially offset by increases in current liabilities including an increase of RMB161.2 million in contract liabilities due to the increase in our student enrollment and tuition fee payments, an increase of RMB72.7 million in trade and other payables which in turn primarily resulted from an increase in payable for property and equipment and an increase in payroll payable due to the expansion of our school network and addition of new Schools, an increase of RMB59.9 million in tax liabilities as a result of the increase in our taxable income.

Trade and Other Receivables

Trade and other receivables consist of (i) trade receivables, which primarily represent receivables from local governments that purchased vocational education services for students and receivables from customers who purchased ancillary services other than vocational education services. (ii) prepayments for consumables, which primarily represent the prepayment we made to purchase consumables used in teaching activities and by students who board at our Schools; (iii) prepayments for rental, which primarily consist of the prepaid leasing expenses for our school premises; (iv) prepayments for services, which represent registration fees we paid on behalf of our students to third party enterprise partners; (v) prepayments for advertisement, which represent repayments we made in connection with promotional and advertising activities to promote our brands; (vi) prepayments for [**REDACTED**]; (vii) value added tax recoverable, which represents value added tax payments we have made but are entitled to recover; (viii) advance to staff, which represents advances we made to relevant staff for business procurement and business travels. Each advance needs to be reviewed by relevant supervisors and receive approvals from them; (ix) deferred issue costs, which represent the portion of the [**REDACTED**] we incurred that will be capitalized and charged to share premium after the [**REDACTED**]; and (x) other receivables, which represent our small transactions with other parties, including, among others, deposits we made to utility companies, fee paid by other enterprises used our utilities, and the maintenance and repair expenses we made in order to receive prompt services in relation to our school premises and expected relevant landlords to reimburse us later.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of August 31,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
Trade receivables				
– from government(1)	17,061	22,227	23,717	24,755
– from others(2)	6,120	4,891	7,242	9,955
	23,181	27,118	30,959	34,710
Prepayments for consumables	9,788	15,132	27,681	28,059
Prepayments for rental	40,774	39,325	71,778	106,085
Prepayments for services	8,639	11,286	16,959	18,907
Prepayments for advertisement	12,533	16,501	24,914	91,452
Prepayments for [**REDACTED**]	–	–	–	426
Value added tax recoverable	16,665	708	3,602	876
Advance to staff	7,611	10,586	8,758	20,328
Deferred issue costs	–	–	–	2,763
Other receivables	5,721	6,537	5,855	6,394
Total	124,912	127,193	190,506	310,000

Notes:

(1) The amounts represent receivables from local governments that purchased vocational education services for students.

(2) The amounts mainly represent receivables from customers who purchased ancillary services other than vocational education services.

Our trade and other receivables increased by 62.7% from RMB190.5 million as of December 31, 2017 to RMB310.0 million as of August 31, 2018, primarily due to an increase of RMB66.5 million in prepayments for advertisement as we increased our efforts to promote our brands and new Schools and RMB34.3 million in prepayments for rental as we leased premises for new Schools during the expansion of our school network.

Our trade and other receivables increased by 49.8% from RMB127.2 million as of December 31, 2016 to RMB190.5 million as of December 31, 2017, primarily reflecting an increase of RMB12.5 million in prepayments for consumables, prepayment for rental, and an increase of RMB8.4 million in prepayments advertisement an increase of RMB32.5 million. These increases were due to the expansion of our school network resulting in significant prepayment made for renting school premises and purchasing consumables for new Schools as well as our increased efforts to promote our brands and new Schools.

Our trade and other receivables increase slightly by 1.8% from RMB124.9 million as of December 31, 2015 to RMB127.2 million as of December 31, 2016, primarily as a result of an increase of RMB5.2 million in trade receivables from government as local governments purchased more vocation education services from us, an increase of RMB5.3 million in prepayments for consumables in line with the increase in our average students enrolled, an increase of RMB4.0 million in prepayments for advertisement as we continued to promote our brands and our new Schools, and an increase of RMB3.0 million in advance to staff due to our increased business activities. These increases were offset in part by a decrease of RMB16.0 million in value added tax recoverable. During the Track Record Period, we made value added tax payments on a quarterly basis, where we prepaid our tax in each quarter and recovered the overpayment at the end of the year. The tax recoverable in 2015 included the overpaid amount of business tax. As a result of the comprehensive implementation of value-added tax in May 2016, effectively replacing the business tax that previously applied to us, our value added tax recoverable at the end of 2016 was less than the amount in 2015.

The following table sets forth an aging analysis of our trade receivables net of allowance for doubtful debts presented based on revenue recognition dates:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Within 3 months	14,482	16,194	18,583	25,345
Over 3 months but within 12 months	7,111	9,070	9,758	6,147
Over 1 year	1,588	1,854	2,618	3,218
Total	23,181	27,118	30,959	34,710

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

We considered that the impairment loss was insignificant as there has not been a significant change in credit quality and amounts are considered recoverable based on repayment history of respective customers.

Trade and Other Payables

Trade and other payables consist of (i) trade payables, mainly consisting of payables relating to our procurement, rent for leasing our school premises and advertising costs; (ii) payables for property and equipment, which primarily relate to payables in connection with the renovation and construction of school facilities, including office buildings and classroom buildings; (iii) value added tax and other tax payable; (iv) payroll payable; (v) discretionary subsidies received on behalf of students, which we record as payables until all relevant conditions under the subsidies are met and we recognize the subsidies as revenue; (vi) miscellaneous deposits received from students within 12 months which primarily consist of public property damage deposits paid by our students during the Track Record Period as well as advance deposits for meal card in 2018; (vii) [**REDACTED**] and issue costs payable; and (viii) other payables, which primarily consists of all the remaining categories of small amount transactions we made with various business partners. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Trade payables	63,596	90,393	138,001	130,805
Payable for property and equipment	24,039	39,145	89,016	72,281
Value added tax and other taxes payable	4,829	8,859	25,878	13,327
Payroll payable	72,219	90,237	132,313	123,620
Discretionary subsidies received on behalf of students	16,784	18,972	16,021	27,405
Miscellaneous deposits received from students – within 12 months	28,846	32,398	41,900	74,639
[**REDACTED**] and issue costs payable	–	–	–	3,114
Other payables	25,026	28,006	27,954	38,934
Total	235,339	308,010	471,082	484,125

We make payments to our trade creditors upon satisfaction of quality inspection and receipt of invoice. The credit period of trade creditors is normally within 90 days. The following is an aging analysis of trade payables presented based on the dates of delivery of goods/dates of rendering of services:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Within 90 days	63,596	90,393	138,001	130,805

Our trade and other payables increased from RMB471.1 million as of December 31, 2017 to RMB484.1 million as of August 31, 2018, primarily reflecting (i) an increase of RMB32.7 million in miscellaneous deposits received from students-within 12 months primarily because in 2018 we began to implement a meal card system and received deposits from students for meals; (ii) an increase of RMB11.4 million in discretionary subsidies received on behalf of students because local governments purchased more vocational education services from us; and (iii) an increase of RMB11.0 million in other payables. These increases were partially offset by a decrease of RMB16.7 million in payable for property and equipment as we settled some of the payables, a decrease of RMB8.7 million in payroll payable because we typically have higher payroll payable at year end due to bonus payments.

Our trade and other payables increased by 53.0% from RMB308.0 million as of December 31, 2016 to RMB471.1 million as of December 31, 2017, primarily as the result of a RMB47.6 million increase in trade payables, a RMB49.9 million increase in payable for property and equipment, and a RMB42.1 million increase in our payroll payable due to the significant expansion of our school network in 2017 compared to 2016.

Our trade and other payables increased by 21.6% from RMB235.3 million as of December 31, 2015 to RMB308.0 million as of December 31, 2016, primarily as the result of a RMB36.8 million increase in trade payables and a RMB15.1 million increase in payable for property and equipment due to the significant expansion of our school network in 2016 compared to 2015.

Inventories

Inventories primarily consist of materials used in relation to our teaching and skills training, equipment and tools, school uniforms and beddings for students who board at our Schools. Due to the expansion of our school network, we procured in advance such school supplies in anticipation of the need from additional students. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of August 31,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
School materials and Consumables	20,267	26,896	29,899	33,636

Other Financial Assets

Other financial assets represent financial products we purchased from banks. Our other financial assets mainly consist of low-risk wealth management products that we purchased in order to obtain higher yields than we can receive on regular bank deposits. We purchased other financial assets in each year/period during the Track Record Period, and they all had a maturity term of less than one year. In 2016 and 2017, we redeemed our other financial assets before the end of the year and, as a result, there was no balance shown as of December 31, 2016 and 2017.

Pursuant to the relevant underlying agreements, other financial assets carried interest rate of 5% per annum during the Track Record Period and the principal sums are denominated in RMB. The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Other financial assets measured at FVTPL(1)	50,000	–	–	1,220,000
Other financial assets measured at amortized cost(2)	–	–	–	460,000

Notes:

(1) As of December 31, 2015 and August 31, 2018, the financial products issued by banks and securities were short-term investments with no predetermined or guaranteed return and were not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

(2) The amount represents (i) a loan of RMB160.0 million granted to related parties through banks for purposes of earning interest income. The loan was fully settled in October 2018; and (ii) short-term principal protected investments of RMB300.0 million with predetermined return, which were issued by a bank.

Contract Liabilities

We generally require long-term course students to pay tuition fees in advance for the next 12 months and short-term course students to pay in advance all of the tuition fees for the courses they are enrolled in. We also require customers of Cuisine Academy to pay service fees in advance for the programs they are registered. We record tuition fees and service fees as contract liabilities when we initially receive advance tuition payments from our students and service fees from our customers. Tuition fees and service fees are recognized proportionately over the relevant periods of the applicable courses and programs. The portion of tuition payments received from students and service fees from our customers for which we expect to provide the corresponding services within 12 months is recorded as a current liability in our consolidated statements of financial position as such amounts represent deferred revenue that we expect to earn within one year. We recorded non-current liabilities from tuition fees during the Track Record Period primarily because some students chose to make one-time tuition payment for the full tuition amounts of their two-year programs as we offered a discount for such payments. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Tuition fees service fees	815,060	982,116	1,125,824	1,639,241
Less: current liabilities	794,012	955,170	1,089,507	1,588,507
Non-current liabilities	21,048	26,946	36,317	50,734

Increases in our contract liability balances from December 31, 2015 to December 31, 2016 then to December 31, 2017 are in line with the increase in our average students enrolled, the expansion of our school network and the growth of our business.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash have been to fund our working capital requirements and our capital expenditures, including purchases of property and equipment. During the Track Record Period, we have funded our operations principally with cash generated from our operations. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, [**REDACTED**] from this [**REDACTED**] and other funds raised from the capital markets from time to time. Any significant decrease in our student enrollment or tuition fee rates may adversely impact our liquidity. As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had cash and cash equivalents of RMB906.1 million, RMB1,738.6 million, RMB2,034.8 million, and RMB372.0 million, respectively.

We combine the results of our PRC Consolidated Affiliated Entities and our access to their cash balance or future earnings through our Structured Contracts with them. See "History and Corporate Structure" and "Structured Contracts" in this document.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
				(Unaudited)	
			(RMB in thousands)		
OPERATING ACTIVITIES					
Net cash from operating activities	635,975	981,579	997,248	1,002,509	887,174
INVESTING ACTIVITIES					
Net cash from (used in) investing activities	105,125	(149,115)	(601,097)	(1,999,767)	(2,096,800)
FINANCING ACTIVITIES					
Net cash used in financing activities	(85,818)	–	(100,000)	–	(453,091)
Net increase (decrease) in cash and cash equivalents	655,282	832,464	296,151	(997,258)	(1,662,717)
Cash and cash equivalents at the beginning of the year/period	250,853	906,135	1,738,599	1,738,599	2,034,750
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	906,135	1,738,599	2,034,750	741,341	372,033

Cash Flows from Operating Activities

Our cash inflow from operating activities is generated primarily from tuition and service fees. We generally require our students and customers to pay tuition and service fees in advance at the beginning of the programs they are enrolled in. Tuition fees are initially recorded under contract liabilities. Our cash outflow under operating activities is primarily for teaching staff salaries and benefits, student and teaching activity costs, selling expenses and administrative expenses.

Net cash from operating activities amounted to RMB887.2 million for the eight months ended August 31, 2018, primarily reflecting (i) operating cash flow before movements in working capital of RMB608.7 million, which resulted from (A) profit for the period of RMB289.6 million and (B) total positive adjustments of RMB319.1 million primarily including RMB111.5 million of positive adjustments for income tax expense, RMB12.4 million negative adjustments for interest income from banks, RMB247.3 million of positive adjustments for deprecation of property and equipment, and RMB28.2 million of negative adjustments for gains on structured deposits; and (ii) positive movements in working capital of RMB415.2 million as a result of a RMB513.4 million increase in contract liabilities and a RMB31.9 million increase in trade and other payables, as offset in part by a RMB85.2 million increase in trade and other receivables, a RMB23.6 million increase in prepayments for rental and a RMB17.5 million increase in deposits for rental and utilities.

Net cash from operating activities amounted to RMB997.2 million for the year ended December 31, 2017, primarily reflecting (i) operating cash flow before movements in working capital of RMB977.2 million, which resulted from (A) profit for the year of RMB641.6 million and (B) total positive adjustments of RMB335.5 million primarily including RMB171.0 million of positive adjustments for income tax expense, RMB17.0 million of negative adjustments for interest income from banks, RMB239.5 million of positive adjustments for depreciation of property and equipment, and RMB61.1 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB170.5 million as a result of a RMB113.2 million increase in trade and other payables and a RMB143.7 million increase in contract liabilities, as offset in part by a RMB45.4 million increase in prepayments for rental, a RMB30.9 million increase in trade and other receivables and a RMB7.1 million increase in deposits for rental and utilities.

Net cash from operating activities amounted to RMB981.6 million for the year ended December 31, 2016, primarily reflecting (i) operating cash flow before movements in working capital of RMB832.9 million, which resulted from (A) profit for the year of RMB565.5 million and (B) total positive adjustments of RMB267.4 million primarily including RMB131.9 million of positive adjustments for income tax expense, RMB9.0 million of negative adjustments for interest income from banks, RMB171.4 million of positive adjustments for depreciation of property and equipment, and RMB27.5 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB200.5 million as a result of a RMB57.6 million increase in trade and other payables, and a RMB167.1 million increase in contract liabilities, as offset in part by a RMB6.6 million increase in inventories, a RMB3.7 million increase in trade and other receivables, a RMB4.3 million increase in prepayments for rental, and a RMB9.5 million increase in deposits for rental and utilities.

Net cash from operating activities amounted to RMB636.0 million for the year ended December 31, 2015, primarily reflecting (i) operating cash flow before movements in working capital of RMB528.3 million, which resulted from (A) profit for the year of RMB335.3 million and (B) total positive adjustments of RMB193.0 million primarily including RMB84.2 million of positive adjustments for income tax expense, RMB2.0 million of negative adjustments for interest income from banks, RMB8.2 million of negative adjustment for interest income from related parties, RMB19.8 million of negative adjustment for interest income from third parties, RMB147.0 million of positive adjustments for depreciation of property and equipment, and RMB10.4 million of negative adjustments for net gain on structured deposits; and (ii) positive movements in working capital of RMB203.2 million as a result of a RMB16.4 million increase in trade and other payables and a RMB207.2 million increase in contract liabilities, as offset in part by a RMB2.8 million increase in inventories, a RMB9.6 million decrease in trade and other receivables, a RMB19.1 million increase in prepayments for rentals and a RMB8.2 million increase in deposits for rental and utilities.

Cash Flows from/Used in Investing Activities

Our cash flows from and used in investing activities were primarily for the purchase of property and equipment, prepaid land lease payments, and purchase of structured deposits.

Net cash used in investing activities amounted to RMB2,096.8 million for the eight months ended August 31, 2018, primarily attributable to (i) RMB4,400.0 million used to purchase structured deposits; and (ii) RMB462.6 million used for purchases of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network. This cash outflow was partially offset by RMB2,748.2 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash used in investing activities amounted to RMB601.1 million for the year ended December 31, 2017, primarily attributable to (i) RMB6,540.0 million used to purchase structured deposits; (ii) RMB643.6 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network; and (iii) RMB41.7 million in payment for prepaid lease payments, as partially offset by RMB6,601.1 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash used in investing activities amounted to RMB149.1 million for the year ended December 31, 2016, primarily attributable to (i) RMB3,105.0 million used to purchase structured deposits; and (ii) RMB240.5 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network, as partially offset by RMB3,182.5 million of cash inflow as a result of the redemption of structured deposits we purchased previously.

Net cash generated from investing activities amounted to RMB105.1 million for the year ended December 31, 2015, primarily attributable to (i) RMB1,350.4 million of cash inflow as a result of the redemption of structured deposits we purchased previously; (ii) RMB440.0 million in repayment from third parties as we redeemed our wealth management products; and (iii) RMB248.2 million in repayment from related parties, as partially offset by (i) RMB1,300.0 million used to purchase structured deposit; (ii) RMB240.8 million used to purchase items of property and equipment primarily relating to construction of school facilities in connection with the expansion of our school network; (iii) RMB180.0 million in advances to third parties, which represented our purchases of wealth management products from a wealth management fund. All such wealth management products have been fully redeemed; and (iv) RMB210.0 million in advances to related parties for their working capital needs, which have been repaid in full together with interest.

Net Cash Used in Financing Activities

Our net cash used in financing activities were primarily consists of (i) deemed distribution to the Controlling Equity Holders; (ii) dividends paid; and (iii) issue costs paid.

Net cash used in financing activities amounted to RMB453.1 million for the eight months ended August 31, 2018 as a result of the RMB451.0 million of dividends and RMB2.1 million of issue costs we paid.

Net cash used in financing activities for the year ended December 31, 2017 amounted to RMB100.0 million as a result of the RMB100.0 million of dividends we paid out in 2017.

We did not have cash generated from or used in financing activities for the year ended December 31, 2016.

Net cash used in financing activities amounted to RMB85.8 million for the year ended December 31, 2015, reflecting (i) RMB35.8 million of distribution to the Controlling Equity Holders, which represented the price we paid to our shareholders Mr. Wu Junbao, Mr. Wu Wei and Mr. Xiao Quoqing for acquiring Langjie Technology from them; and (ii) RMB50.0 million of dividends we paid out in 2015.

Working Capital

During the Track Record Period, we had net current liabilities of RMB134.0 million as of December 31, 2015 and net current assets of RMB342.8 million and RMB388.0 million as of December 31, 2016 and 2017, respectively. We had net current liabilities of RMB198.7 million as of August 31, 2018. Taking into account the financial resources available to our Group, including cash flows from operating activities and the estimated [**REDACTED**] from the [**REDACTED**], 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 document.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of purchases of property and equipment and leasehold improvements, and amounted to RMB255.8 million, RMB255.7 million, RMB693.5 million and RMB445.9 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018. Our capital expenditure during the Track Record Period primarily related to renovation and maintenance of school premises and purchase of additional educational equipment.

We currently expect to incur approximately RMB892.3 million in capital expenditures in 2019 primarily for (i) the expansion of our school network; (ii) renovation and upgrade of school facilities; (iii) purchase of teaching equipment; and (iv) establishment of our five geographical regional centers which we expect to fund primarily through cash generated from operations and the [**REDACTED**] from the [**REDACTED**]. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the purchase of property and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of August 31,
	2015	**2016**	**2017**	**2018**
	(RMB in thousands)			
Capital expenditure contracted for but not provided in the combined financial statements in respect of acquisition of property and equipment	6,768	65,903	107,468	67,003

As of December 31, 2015, 2016 and 2017 and August 31, 2018, we had no significant authorized but not contracted capital commitment.

Operating Lease Commitments

Operating lease payments commitments represent rental payables for the premises we leased to use as classrooms and offices. The rental is fixed during the lease term. These leases are negotiated for terms of one to ten years. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Within one year	131,605	163,142	244,172	258,288
In the second to fifth year inclusive	372,785	487,381	756,602	791,508
Over five years	499,639	626,216	811,087	806,342
Total	1,004,029	1,276,739	1,811,861	1,856,138

INDEBTEDNESS

Borrowings

The following table sets forth our borrowings as of December 31, 2015, 2016 and 2017 and August 31, 2018 and October 31, 2018, being the latest practicable date for the purpose of the statement of indebtedness:

	As of December 31,			As of August 31,	As of October 31,
	2015	2016	2017	2018	2018
	(RMB in thousands)				
Amounts due to Controlling Equity Holders	209,000	209,000	209,000	209,000	41,300

Such borrowings are interest-free, unsecured and have no fixed terms of repayment or covenant, which were fully repaid in November 2018.

Our Directors have confirmed that we have not had any material delay or default in payment with regard to any borrowings during the Track Record Period and up to the Latest Practicable Date.

Banking facilities

As of December 31, 2015, 2016 and 2017 and August 31, 2018, the amount of our utilized and unutilized banking facilities was nil.

During the Track Record Period, we did not obtain any banking facilities. Our Directors have confirmed that our Group did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period and up to the Latest Practicable Date.

To the best knowledge and belief of our Directors, we do not expect to have difficulties in obtaining banking facilities after the [**REDACTED**].

Disclaimer

Except as disclosed above, we did not have any outstanding loan capital issued or agreed to be issued, debt securities, bank overdrafts, utilized or unutilized banking facilities, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchases commitments, guarantees or other material contingent liabilities as of October 31, 2018, being the latest practicable date for the preparation of the indebtedness statement in this document. As of the Latest Practicable Date, we do not expect to raise material external debt financing in the near future based on our current business plans.

CONTINGENT LIABILITIES

As of October 31, 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. The Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since October 31, 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated:

	Year ended December 31,			Eight months ended August 31,
	2015	2016	2017	2018
	(RMB in thousands)			
Service income				
Anhui Xinhua University	988	2,741	2,778	620
Interest income from related parties				
Anhui Xinhua Real Estate	5,289	–	–	–
Anhui Huadi Hengrun Real Estate Co., Ltd.* (安徽華地恒潤房地產有限公司)	2,041	–	–	–
Anhui Huadi Assets Management Co., Ltd.* (安徽華地資產經營有限公司)	720	–	–	–
Anhui Xinhua Group Investment Co., Ltd.* (安徽新華集團投資有限公司)	197	–	–	–
Total	8,247	–	–	–

Pursuant to the service agreements (the "Service Agreements") entered into by Anhui Xinhua University with each of our Anhui New East Culinary Institute* (安徽新東方烹飪專修學院) and Anhui Xinhua Computer Institute* (安徽新華電腦專修學院) (the "Relevant Institutes") on March 8, 2018, each of the Relevant Institute has agreed to assist Anhui Xinhua University in promoting its adult higher education program to students of the Relevant Institutes. The Relevant Institutes are entitled to certain amount of service fees under the Service Agreements. Such connected transactions are expected to continue pursuant to the Service Agreements. As of the Latest Practicable Date, other than the abovementioned related parties transactions, all balances with related parties had been settled.

Our Directors believe that each of the related party transactions set out in note 30 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

[**REDACTED**]

We expect to incur a total of RMB[**REDACTED**] of [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised) until the completion of the [**REDACTED**], of which RMB[**REDACTED**] million and RMB[**REDACTED**] million are expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2018 and 2019 respectively, and RMB[**REDACTED**] million is directly attributable to the issue of the Shares to the public and to be capitalized. [**REDACTED**] represent professional fees and other fees incurred in connection with the [**REDACTED**], including [**REDACTED**] [but excluding discretionary bonus]. The [**REDACTED**] above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these [**REDACTED**] to have a material impact on our results of operations for the years ending December 31, 2018 and 2019.

FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/for the eight months ended August 31,
	2015	**2016**	**2017**	**2018**
Gross profit margin(1)	54.0%	56.6%	55.0%	51.8%
Net profit margin(2)	19.3%	25.1%	23.2%	14.5%
Return on assets(3)	19.8%	22.2%	18.8%	7.7%
Current ratio(4)	0.89	1.22	1.21	0.92
Return on equity(5)	70.7%	55.1%	41.2%	24.5%

Notes:

(1) Gross profit margin equals our gross profit divided by revenue for the year/period.

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

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

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

(5) Return on equity equals profit for the year/period divided by average total equity amounts as of the end of the year/period.

Analysis of Key Financial Ratios

Return on Assets

Our return on assets remained relatively stable for the years ended December 31, 2015 and 2016. Our return on assets decreased from 22.2% for the year ended December 31, 2016 to 18.8% for the year ended December 31, 2017, primarily because our newly established Schools were still in the investment period in 2017, which had adversely affected our net profit margin in 2017. Our return on assets decreased to 7.7% for the eight months ended August 31, 2018, mainly due to an increase in our total assets as a result of the increase in deposits received and a decrease in net profit margin as a number of newly established Schools were in the investment period.

Current Ratio

Our current ratio increased from 0.89 for the year ended December 31, 2015 to 1.22 for the year ended December 31, 2016, mainly due to an increase in total current assets as a result of an increase in cash and cash equivalents in 2016. Our current ratio decreased to 1.21 for the year ended December 31, 2017, primarily attributable to our investments in establishing new Schools, which resulted in an increase in total non-current assets. Our current ratio further decreased to 0.92 for the eight months ended August 31, 2018, mainly due to (i) an increase in non-current assets; and (ii) an increase in current liabilities as a result of increases in loans from equity holders and dividend payable.

Return on Equity

Our return on equity decreased from 70.7% as of December 31, 2015 to 55.1% as of December 31, 2016, and further to 41.2% as of December 31, 2017, primarily because a larger increase in our total equity compared to the increase in our profit for the year as a result of increases in our teaching staff salaries and benefits and students and teaching activities related costs. Our return on equity was 24.5% as of August 31, 2018, which was lower than that as of December 31, 2017, primarily due to a decrease of our profit for the period from continuing operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of August 31, 2018.

DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB50.0 million in 2015, RMB100.0 million in 2017 and RMB683.1 million in August 2018. We intend to adopt, after our [**REDACTED**], a general dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among other things, our future operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. For further details, including the relevant sensitivity analysis, see note 26 to the Accountants' Report set out in Appendix I to this document.

Interest Rate Risk

We are exposed to cash flow interest rate risk through the impact of rate changes on bank balances. Our cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China.

Our Group will continue to monitor the exposure on cash flow interest risk and will consider hedging the interest rate should the need rise. Our Directors are of the view that we do not have material interest rate risk exposure and hence no sensitivity analysis is presented.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to us. At the end of the reporting period, our maximum exposure is arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

In order to minimize the credit risk on trade and other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience. Our directors believe that there is no material credit risk inherent in our outstanding balance of trade and other receivables.

The credit risk on bank balances and the structured deposit are limited because the counterparties are reputable financial institutions.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

The following is the maturity analysis for financial assets and financial liabilities held by us which is based on undiscounted remaining contractual obligations:

	Weighted average interest rate	On demand or less than one year	Total undiscounted balances	Closing amount
		(RMB in thousands)		
On December 31, 2015				
Trade and other payables.	–	158,291	158,291	158,291
Amounts due to Controlling Equity Holders	–	209,000	209,000	209,000
		367,291	367,291	367,291
On December 31, 2016				
Trade and other payables.	–	208,914	208,914	208,914
Amounts due to Controlling Equity Holders	–	209,000	209,000	209,000
		417,914	417,914	417,914
On December 31, 2017				
Trade and other payables.	–	312,892	312,892	312,892
Amounts due to Controlling Equity Holders	–	209,000	209,000	209,000
		521,892	521,892	521,892
On August 31, 2018				
Trade and other payables.	–	347,178	347,178	347,178
Amounts due to Controlling Equity Holders	–	209,000	209,000	209,000
		556,178	556,178	556,178

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following our unaudited pro forma statement of adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the [**REDACTED**] on our combined net tangible assets as of August 31, 2018 as if it had taken place on that date.

Our unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [**REDACTED**] been completed as of August 31, 2018 or any future date. It is prepared based on our combined net tangible assets as of August 31, 2018 as set out in the Accountants' Report in Appendix I to this document, and adjusted as described below:

	Combined net tangible assets attributable to owners of our Company as of August 31, 2018(1)	Estimated [REDACTED] from the [REDACTED](2)	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share(3)	
	(RMB in thousands)			RMB	HK$(4)
Based on the [**REDACTED**] of HK$[**REDACTED**] per Share.	1,213,216	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on the [**REDACTED**] of HK$[**REDACTED**] per Share.	1,213,216	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited combined net tangible assets of the Group attributable to owners of the Company as at August 31, 2018 is extracted from the Accountants' Report as set out in Appendix I to this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] at the indicative [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per [**REDACTED**], respectively, after deduction of [**REDACTED**] and [**REDACTED**] and other [**REDACTED**] related expenses paid/payable by the Company (excluding the [**REDACTED**] which has been charged to profit or loss up to August 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the [**REDACTED**] or (ii) which may be issued under the [**REDACTED**] Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated [**REDACTED**] from the [**REDACTED**], the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK$1 to RMB[0.8880], which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] had been completed on August 31, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the [**REDACTED**] or (ii) which may be issued under the [**REDACTED**] Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

(4) For the purpose of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB[0.8880] to HK$1, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as of August 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to August 31, 2018.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of October 31, 2018 as valued by Cushman & Wakefield, an independent property valuation firm, was RMB17.34 million. The text of its letter and valuation certificate are set out in the Property Valuation Report as set forth in Appendix III to this document.

The following table presents the reconciliation of the net book value of the relevant property interests, as of August 31, 2018 to their market value as of October 31, 2018 attributed by Cushman & Wakefield as stated in the valuation certificate in the Property Valuation Report as set forth in Appendix III to this document:

	(RMB'000)
Net book value of the following properties as of August 31, 2018:	
Buildings and construction in progress included in property and equipment	405,580
Prepaid lease payments	127,329
Less: Property interests without commercial value	(527,781)
Less:	
Depreciation and amortisation for the two months ended October 31, 2018	(66)
Valuation surplus	12,268
Valuation as of October 31, 2018	17,330