立德教育有限公司
Leader Education Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1449

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

华泰国际
HUATAI INTERNATIONAL

Joint Bookrunners

华泰国际
HUATAI INTERNATIONAL

招銀国际
CMB INTERNATIONAL

IMPORTANT

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

Leader Education Limited
立德教育有限公司

(Incorporated in the Cayman Islands with limited liability)

Global Offering

Total number of Offer Shares under the Global Offering	**:**	**166,667,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**16,668,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**149,999,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$2.60 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%**
Nominal value	**:**	**US$0.01 per Share**
Stock code	**:**	**1449**

Sole Sponsor and Sole Global Coordinator

华泰国际
HUATAI INTERNATIONAL

Joint Bookrunners

华泰国际
HUATAI INTERNATIONAL

招銀国际
CMB INTERNATIONAL

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, July 30, 2020 and, in any event, no later than Friday, July 31, 2020. If, for any reason, the Offer Price is not agreed between Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Friday, July 31, 2020, the Global Offering will not proceed and will lapse. The Offer Price will be no more than HK$2.60 per Offer Share and is currently expected to be no less than HK$2.10 per Offer Share unless otherwise announced. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK$2.60 per Share, unless otherwise announced, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$2.60 per Offer Share. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.leader-education.cn** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has the right in certain circumstances, in its sole discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. For more information, see "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination".

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

July 27, 2020

Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways[2]:

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** . . . . 11:30 a.m. on Thursday, July 30, 2020

Application lists for the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Thursday, July 30, 2020

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Thursday, July 30, 2020

Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Thursday, July 30, 2020

Application lists close[3] . . . . 12:00 noon on Thursday, July 30, 2020

Expected Price Determination Date[5] . . . . Thursday, July 30, 2020

Announcement of the Offer Price, the indications of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published at the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.leader-education.cn** on or before[6] . . . . Wednesday, August 5, 2020

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to Apply for the Hong Kong Offer Shares – Publication of Results" in this prospectus) from . . . . Wednesday, August 5, 2020

Results of allocations in the Hong Kong Public Offering will be available at "Allotment Result" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID function" . . . . .Wednesday, August 5, 2020

Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(5)(7)(8) . . . . .Wednesday, August 5, 2020

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before . . . . .Wednesday, August 5, 2020

Dealings in Shares on the Main Board of the Stock Exchange to commence on . . . . .9:00 a.m. on Thursday, August 6, 2020

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

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

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, July 30, 2020, the application lists will not open and close on that day. See "How to Apply for the Hong Kong Offer Shares – Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares – Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Thursday, July 30, 2020 and, in any event, not later than Friday, July 31, 2020. If, for any reason, the Offer Price is not agreed by Friday, July 31, 2020 between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this document.

(7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, August 5, 2020 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Thursday, August 6, 2020. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates becoming valid certificates of title do so entirely at their own risk.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessfully applications and in respect of successful applications if the Offer Price is less than the price per Offer Share payable on application.

The Above Expected Timetable Is A Summary Only. You Should Refer To The Sections Headed "Underwriting", "Structure Of The Global Offering" And "How To Apply For The Hong Kong Offer Shares" In This Prospectus For Details Of The Structure Of The Global Offering, Including The Conditions Of The Global Offering, And The Procedures For Application For The Hong Kong Offer Shares, And Expected Timetable, Including Conditions, Effect Of Bad Weather And The Dispatch Of Refund Cheques And Share Certificates.

IMPORTANT NOTICE TO INVESTORS

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

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

CONTENTS

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

OVERVIEW

We are a large private formal higher education service provider in Heilongjiang Province, the PRC. We ranked eighth among all private formal higher education service providers in Heilongjiang Province in terms of full-time student enrollment in the 2018/2019 school year with a market share of approximately 7.5%, according to the Frost & Sullivan Report. During the Track Record Period and as of the Latest Practicable Date, we operated one school, Heilongjiang College of Business and Technology (which we hereinafter refer to as "Heilongjiang College" or "our school") in Harbin City, Heilongjiang Province. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, the total number of students enrolled at our school was 7,550, 7,800, 8,256 and 8,818, respectively, representing a CAGR of approximately 5.3%. In addition, as of February 29, 2020 and the Latest Practicable Date, we had a total of 8,807 and 6,739[(1)] students enrolled at our school, respectively, and employed 450 and 465 teachers, respectively.

We believe that there is significant market potential for the growth of private higher education in China as well as in Heilongjiang Province and we are well-positioned to capture such growth opportunities by taking into consideration of the following factors:

- We have been constantly optimizing our course offerings and practical training programs and exploring the opportunities of school-enterprise cooperation to equip our students with the practical and readily applicable skills sought by prospective employers. With such efforts, the initial employment rate of the graduates of our undergraduate program increased from 78.7% in the 2016/2017 school year to 80.2% in the 2017/2018 school year, and further to 90.9% in the 2018/2019 school year, which resulted in an improvement of our ranking from sixth in the 2016/2017 school year to fourth in the 2017/2018 school year among all private higher education institutions in Heilongjiang Province, according to the Frost & Sullivan Report.

Note:

(1) The student enrollment figure of our school as of the Latest Practicable Date takes into consideration (i) 2,067 fourth-year students who graduated from our school in early July 2020; (ii) seven students who either withdrew from our school or temporarily suspended their study in the spring semester of 2019/2020 school year; and (iii) six students who resumed their enrollment at our school in the same semester.

- Our admission quota, which is the threshold for maximum student enrollment approved by the relevant education authorities, has increased from 2,219 in the 2016/2017 school year to 2,800 in the 2019/2020 school year, which ranked third among all private higher education institutions in Heilongjiang Province, according to the Frost & Sullivan Report. In addition, our school was the fastest growing private higher education institution that offers undergraduate programs in Heilongjiang Province in terms of the CAGR of student enrollment from the 2016/2017 school year to the 2018/2019 school year, according to the Frost & Sullivan Report. Therefore, in anticipation of the further increase of our admission quota in the coming years with the introduction of new majors that were pending final approval from the MOE as of the Latest Practicable Date, we believe our student enrollment will maintain steady growth; and

- As of the Latest Practicable Date, our school operated two campuses, namely, our existing Songbei Campus and the new Hanan Campus, with an aggregated gross site area of approximately 542,009.04 sq.m. and an aggregated gross floor area of approximately 308,694.63 sq.m. According to the Frost & Sullivan Report, our school ranked third in terms of gross floor area among all private higher education institutions in Heilongjiang Province in 2018/2019 school year. We believe our school is well prepared for any increase of student enrollment following the completion of the first phase of the new Hanan campus in September 2019, which upgraded our school's facilities and therefore, increased our student enrollment capacity for the 2019/2020 school year.

We experienced steady growth in our revenue, net profit, student enrollment as well as tuition and boarding fee rates during the Track Record Period. Our revenue from continuing operations increased from approximately RMB107.7 million for the year ended August 31, 2017 to approximately RMB117.5 million for the year ended August 31, 2018 and further to approximately RMB138.2 million for the year ended August 31, 2019, representing a CAGR of approximately 13.3%. Our revenue from continuing operation increased from approximately RMB76.8 million for the six months ended February 28, 2019 to approximately RMB89.1 million for the six months ended February 29, 2020. Our net profit from continuing operations was RMB48.7 million, RMB57.2 million and RMB70.4 million for the years ended August 31, 2017, 2018 and 2019, respectively, representing a CAGR of approximately 20.2%. Our net profit from continuing operation decreased from RMB41.9 million for the six months ended February 28, 2019 to RMB30.5 million for the six months ended February 29, 2020 primarily due to the listing expenses of RMB13.1 million that were charged to our profit and loss for the same period. Our student enrollment has increased from 7,550 for the 2016/2017 school year to 7,800 for the 2017/2018 school year, and further to 8,256 for the 2018/2019 school year and 8,818 for the 2019/2020 school year.

OUR SCHOOL

During the Track Record Period and up to the Latest Practicable Date, we operated Heilongjiang College. Our school is a degree-granting private formal university-level education institution established in 2002 in Harbin City, Heilongjiang Province, the PRC, that primarily offers undergraduate programs. During the Track Record Period, we recruited students from over 20 provinces, municipalities and autonomous regions in China, and our school offered 26 majors in a wide range of subject areas, including, among others, engineering, business, railway, economics, literature and arts. As of the Latest Practicable Date, our school offered 24 majors in a variety of disciplines.

As a higher education service provider, we are committed to equipping our students with the real-world skills and applicable concepts geared toward their specific chosen career paths. We integrate education, research and application to produce practical and workforce-ready graduates from a broad range of academic programs.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) we are a large private formal higher education service provider offering comprehensive and applied science education in Heilongjiang Province with a solid reputation and possess strong growth potential; (ii) we have a robust major and coursework development capability, which enables us to design specialized, market-oriented disciplines that support the development of the PRC and regional economy and cater to the strong local demand for professional and technical talents; (iii) we maintain an extensive and effective school-enterprise collaboration business model to improve the competitiveness of our students; (iv) our profession-oriented course offerings formulated based on market demand and the high quality education we offer enable our students to achieve relatively high initial employment rates; (v) we develop and foster cooperative relationships with international institutions; and (vi) we have an experienced, reputable and visionary management team with a proven track record and a team of high-caliber faculty.

OUR BUSINESS STRATEGIES

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) expand our business operations to achieve economies of scale; (ii) pursue strategic acquisitions of suitable schools in the PRC to enhance our market penetration; (iii) further advance our profession-oriented and applied science education by strengthening school-enterprise collaboration and improving practical training programs; (iv) optimize our pricing strategy and diversify our revenue sources to improve profitability; (v) continue to expand applied science and skill-oriented majors to capture the development opportunities brought by the “One Belt One Road” Initiative; and (vi) attract, incentivize and retain talented professionals to improve the quality of our faculty.

SUMMARY BUSINESS OPERATING DATA

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

	For the Year Ended August 31,						For the Six Months Ended February 28,		For the Six Months Ended February 29,	
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Tuition fees.	99,239	92.1	108,197	92.1	127,899	92.5	71,401	93.0	82,787	92.9
Boarding fees	8,458	7.9	9,297	7.9	10,313	7.5	5,381	7.0	6,359	7.1
Total.	107,697	100.0	117,494	100.0	138,212	100.0	76,782	100.0	89,146	100.0

Our revenue from continuing operations increased from approximately RMB107.7 million for the year ended August 31, 2017 to approximately RMB117.5 million for the year ended August 31, 2018 and further to approximately RMB138.2 million for the year ended August 31, 2019, mainly due to (i) increases in tuition fee revenue as a result of an increase in student enrollment and increases in tuition fee rates as we have raised tuition fees for all majors in the 2016/2017, 2017/2018 and 2018/2019 school years; and (ii) increases in boarding fee revenue due to increases in student enrollment and boarding fee rates in the 2017/2018 and 2018/2019 school years. Our revenue from continuing operations increased from approximately RMB76.8 million for the six months ended February 28, 2019 to approximately RMB89.1 million for the six months ended February 29, 2020, primarily due to the increases in student enrollments and tuition and boarding fee rates. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, our gross profit was approximately RMB55.3 million, RMB65.8 million, RMB79.2 million, RMB46.2 million and RMB49.5 million, respectively, while the gross profit margin for the same period was approximately 51.4%, 56.0%, 57.3%, 60.1% and 55.5%, respectively. Our gross profit and gross profit margin maintained robust growth from 2017 to 2019 mainly as a result of the increase of revenue brought by more student enrollments and higher tuition fee rates. Our gross profit margin decreased for the six months ended February 29, 2020 compared to the same period in 2019 mainly due to the increases in our operating costs, depreciation and amortization relating to the newly constructed buildings in Hanan Campus and staff costs.

The following table sets forth the average tuition fee and average boarding fee of our school for the years indicated.

	Average Tuition Fee[1]			Average Boarding Fee		
	Year ended August 31,			Year ended August 31,		
	2017	2018	2019	2017	2018	2019
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
Bachelor's Degree Program.	13,144	13,871	15,492	1,120	1,192	1,250[2]

Notes:

(1) For illustration purposes, the average tuition fee and average boarding fee for the years ended August 31, 2017, 2018 and 2019 is calculated by dividing the revenue generated from tuition fees and boarding fees, respectively, for a given financial year by the number of students enrolled on September 30 of each such financial year. For example, the average tuition fee for the year ended August 31, 2019 is calculated by dividing the tuition fee revenue generated for such year by the number of students enrolled in our school as of September 30, 2018. The number of students enrolled at our school as of September 30, 2016, 2017 and 2018 was 7,550, 7,800 and 8,256, respectively.

(2) The calculation of average boarding fee for the 2018/2019 school year excludes the six transient students who did not live in our school campus and thus, no boarding fees were collected from them.

The following table sets forth information relating to the number of our newly enrolled students, admission quota, admission quota utilization rate, students enrollment, capacity of our school and school utilization rate for the school years indicated*:

	School Years			
	2016/2017	2017/2018	2018/2019	2019/2020
Newly enrolled students	2,082	2,082	2,150	2,563
Admission quota[1]	2,219	2,290	2,390	2,800
Admission quota utilization rate[2](%)	93.8	90.9	90.0	91.5
Student enrollment	7,550	7,800	8,256[3]	8,818
Capacity of our school[4].	8,250	8,250	8,250	12,690
School utilization rate[5]	91.5	94.5	100.0[3]	69.5[6]

Notes:

* The student admission, student enrollment and capacity information during the Track Record Period was based on the official records of the Education Department of Heilongjiang Province and the internal records of our school. Our school year generally starts on September 1. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of students' academic files, the collection of tuition and boarding fees and other operating activities are usually completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus.

(1) As a higher education service provider, the number of new students Heilongjiang College may admit in each school year is generally limited by an admission quota specified by the relevant education authorities, which is subject to adjustments by such education authorities at a later stage. The admission quota and subsequent adjustments are determined by the relevant education authorities, which are beyond our control. The admission quota utilization rate is calculated based on the total number of students admitted for a school year divided by the school's admission quota approved by the relevant education authorities.

(2) We did not fully utilize the admission quota during the Track Record Period, mainly because certain number of prospective first-year students who were admitted into our school during recruitment season eventually did not enroll in the programs of our school in the upcoming school year.

(3) The number of student enrollment in the 2018/2019 school year included six transient students who continued their studies at other higher education institutions in the PRC due to special circumstances, such as personal or family reasons, which were approved by our school in accordance with our transient student policy. However, we kept the registration records of the transient students at our school and these students continued to pay us the applicable tuition fees accordingly. Therefore, since these students neither lived on campus nor attended classes at our school during the relevant school year, the school utilization rate was 100.0% as we had only accommodated 8,250 students in the 2018/2019 school year.

(4) Our school is a boarding school and accordingly, we generally provide beds for students enrolled in the bachelor's degree program. The capacity of our school represents the approximate number of students that our school's student dormitories are designed to accommodate for the relevant school year. It is derived from the number of available beds in the standard rooms of the relevant student dormitories according to our school's internal records at the commencement of a school year in September.

(5) The school utilization rate is calculated by dividing the number of students enrolled in the bachelor's degree program in a particular school year by the maximum student capacity for the same school year.

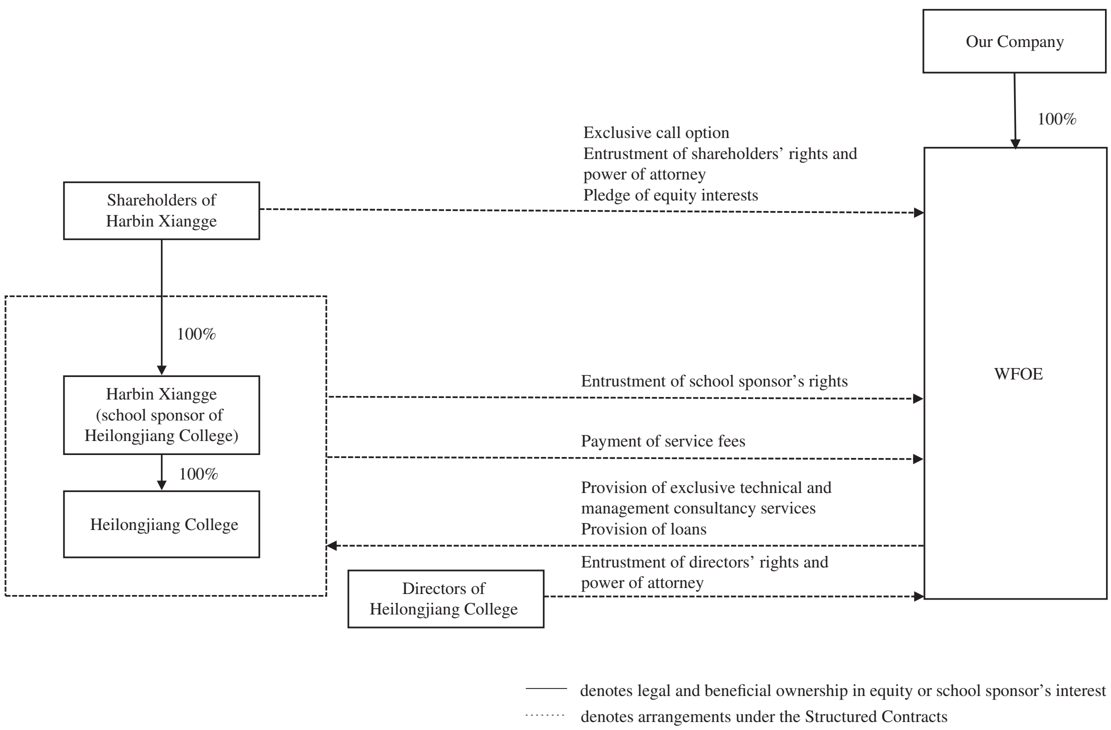
(6) We commenced operations of Hanan Campus in September 2019. As of September 30, 2019, Hanan Campus had built the dormitories that could accommodate approximately 4,440 students and only 1,429 beds have been utilized as a number of fourth-year students were relocated to Hanan Campus from Songbei Campus. Therefore, the aggregate student capacity of our school has increased by 4,440 to reach 12,690 starting from the 2019/2020 school year, which resulted in a decrease of school utilization rate for such school year.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students from our continuing operations. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020. Our suppliers primarily consist of construction project contractors, heating service providers, teaching equipment suppliers and booksellers. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, purchases from our five largest suppliers amounted to RMB40.8 million, RMB63.9 million, RMB137.5 million and RMB25.5 million, respectively, accounting for 72.6%, 76.3%, 62.6% and 36.5%, respectively, of our total purchases for the relevant periods. For the same periods, purchases from our largest suppliers amounted to RMB28.7 million, RMB27.5 million, RMB62.7 million and RMB8.8 million, respectively, accounting for 51.1%, 32.9%, 28.6% and 12.7%, respectively, of our total purchases for the relevant periods.

STRUCTURED CONTRACTS

The WFOE, a wholly-owned subsidiary of our Group, has entered into a series of agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which substantially all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to the WFOE by means of service fees payable by our PRC Consolidated Affiliated Entities to the WFOE. The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities to our Group stipulated under the Structured Contracts. Please refer to section headed "Structured Contracts" in this prospectus for further details.



As of the Latest Practicable Date, the WFOE is subject to a PRC income tax rate of 25% and a value-added tax rate of 3%, which have not been affected by the execution of the Structured Contracts after the end of the Track Record Period.

FOREIGN INVESTMENT RESTRICTION

We currently conduct our private higher education business through Heilongjiang College in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating School. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating School, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

According to the Negative List, higher education is restricted for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in the Sino-foreign cooperation. We had fully complied with the relevant foreign control restriction in respect of Heilongjiang College on the basis that (a) the principal of Heilongjiang College is a PRC national; and (b) all the members of the board of directors are PRC nationals.

Under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign cooperative education institution such as a university, should be less than 50%. We had complied with the foreign ownership restriction in respect of Heilongjiang College on the basis that Harbin Xiangge, as the sponsor of Heilongjiang College, is fully controlled by PRC nationals.

Furthermore, as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the qualification requirement (the "Qualification Requirement") applicable to a foreign investor in a Sino-foreign joint venture private school for PRC students at higher education institutions (the "Sino-Foreign Joint Venture Private School") under the Implementing Rules for the Sino-Foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》) and there are no implementing measures or specific guidance regarding the Qualification Requirement. It is therefore not practicable for us to apply to reorganize Heilongjiang College as, or convert it into a Sino-Foreign Joint Venture Private School. Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. See "Structured Contract – Background of the Structured Contracts" in this prospectus for further details.

FOREIGN INVESTMENT LAW

On March 15, 2019, the 13th National People's Congress approved the Foreign Investment Law which came into effect on January 1, 2020. The Foreign Investment Law does not explicitly stipulate the structured contracts as a form of foreign investment. As advised by our PRC Legal Advisors, since structured contracts are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate or recognize structured contracts as a form of foreign investment and the operation of higher education is still in the Negative List, our Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, see "Risk Factors – Risks relating to our Structured Contracts – Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations" in this prospectus.

THE 2016 DECISION AND THE IMPLEMENTATION RULES UNDER THE 2016 DECISION

In addition to the 2016 Decision, the People's Government of Heilongjiang Province has promulgated the Heilongjiang Implementing Opinions, the Heilongjiang Registration Measures and the Heilongjiang Administration Measures. According to the Heilongjiang Implementing Opinions and the Heilongjiang Registration Measures, private higher education institutions (established before November 7, 2016) in Heilongjiang are required to submit the application for and complete the classification registration before September 1, 2022. As of the Latest Practicable Date, we have not made a decision to register our school as a for-profit private school or a non-profit private school. Based on our management's judgment on the current legal framework in the PRC, including the 2016 Decision and the potential promulgation of the MOJ Draft for Comments, we currently expect to and according to our PRC Legal Advisors, are eligible to, register our school as a for-profit private school, subject to a number of factors, including, among others, the development of private education industry in China, and the development of the applicable laws and regulations in the PRC. We will closely monitor and make the relevant decision regarding the status of our school in response to the development of the 2016 Decision and the MOJ Draft for Comments after consulting our PRC Legal Advisors.

According to the aforementioned implementation rules, the implications of the election to register as a non-profit or for-profit private school with the competent government authorities are as follows:

- if we elect to register our school as a for-profit private school, we will be required to (i) undertake financial liquidation; (ii) have the property rights of the relevant assets, such as land, school buildings and net balance be authenticated by the relevant governmental authorities; (iii) pay the relevant taxes and fees; and (iv) re-register with the relevant government authorities to continue the school operations. In the absence of any detailed implementation rules or further guidelines, we may not be able to predict or estimate the potential costs and expenses to be involved, which may materially and adversely affect our business, financial condition and results of operations; or

- if we elect to register our school as a non-profit private school, (i) our school will not be permitted to distribute the operating proceeds to its sponsors and the surplus from the school operations can only be applied to their continued operations; (ii) the provincial government authorities may impose restrictions on our school fees, including the range and type of fees chargeable and approval or filing requirements; and (iii) the sponsor of our school shall amend the constitutional documents and re-register with the relevant government authorities to continue its operations. We may incur significant administration and other expenses and costs during the re-registration process, which may materially and adversely affect our business, financial condition and results of operations.

As advised by our PRC Legal Advisors, there remain substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operation of a private school under the current legislative regime. Other than the aforementioned implementation rules, no other detailed implementation rules under the 2016 Decision has been promulgated by the Heilongjiang provincial government and we are therefore currently not in a position to accurately assess the impact of the election. For further details of the impacts and risks associated with the 2016 Decision and the Implementation Rules, see (i) "Business – Potential Implications of the 2016 Decision and Related Implementation Rules" and (ii) "Risk Factors – Risks Relating to Our Business and Our Industry – We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments, which if implemented in its current form, may have an adverse impact on the development, operation and management of our school – The 2016 Decision and Implementation Rules" of this prospectus.

THE MOJ DRAFT FOR COMMENTS

On August 10, 2018, the MOJ issued the MOJ Draft for Comments to seek public comments. The MOJ Draft for Comments further promotes the development of private education by providing that, among others, non-profit private schools shall be entitled to the same treatment as public schools in terms of tax benefits, preferential tax treatments and preferential treatments in terms of land use (for example, preferential treatment on charges for the assignment or rental of land).

The MOJ Draft for Comments stipulates additional provisions relating to the operation and management of private schools. Under the MOJ Draft for Comments, in the event we intend to register our school as a for-profit private school, we may be required to increase the registered capital of our school to no less than RMB200.0 million and may be required to pay land transaction fees at RMB78.0 per sq.m. to the local land and resources bureaus for the land we occupied and for other lands we occupy in the future under any preferential treatment of the local governments. As of the Latest Practicable Date, our school had a registered capital of approximately RMB183.3 million. We may need to use a combination of the then available reserves of our school and/or capital injections by the school sponsor backed by cash or banking facilities then available to our Group to satisfy such requirement in respect of registered capital and land transactions fees. In the event we register our school as a for-profit private school, we will be able to increase the registered capital of our school and pay the requisite land transaction fees by utilizing internally generated funds from our operations and to the extent necessary, obtaining external bank borrowings. We believe that the amount required to increase the registered capital of our school is immaterial and would not adversely affect our financial position. In addition, under the MOJ Draft for Comments, (i) our Structured Contracts may be regarded as connected transactions of our school and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities; and (ii) it may be found that one or more agreements underlying our Structured Contracts do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our business operations and financial condition. Please refer to the section headed "Business – The MOJ Draft for Comments" in this prospectus for further details.

The MOJ sought comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, but has not yet provided the timeframe for the promulgation of the Implementation Rules on the Law for Promoting Private Education of the PRC as of the Latest Practicable Date. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent government authorities will not deviate from our current understanding or interpretation of it. Please see "Risk Factors – Risks Relating to Our Business and Our Industry – We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments, which if implemented in its current form, may have an adverse impact on the development, operation and management of our school" in this prospectus for details. We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Advisors for its developments, and will make the relevant amendments to our Group's decision in response to its developments after consulting our PRC Legal Advisors.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders, namely Ms. Dong and Mr. Liu, Shuren Education and Junhua Education, will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme). The Directors are satisfied that our Group is capable of carrying out its business independently from the Controlling Shareholders and their associates. Please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus for further details.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

The following tables set forth our summary consolidated financial information as of and for the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of our Group in Appendix I to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Continuing operations					
Revenue	107,697	117,494	138,212	76,782	89,146
Gross profit	55,332	65,793	79,205	46,155	49,485
Profit before tax from continuing operations	48,716	57,154	70,357	41,886	30,510
Profit for the year/period from continuing operations	48,716	57,154	70,357	41,886	30,510
Discontinued operation					
Loss for the year/period from a discontinued operation	(1,560)	(875)	(146)	(487)	(1,477)
Profit and total comprehensive income for the year/period	47,156	56,279	70,211	41,399	29,033

Non-IFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

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

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year/period	47,156	56,279	70,211	41,399	29,033
Add:					
Listing expenses	–	–	581	–	13,092
Loss for the year/period from a discontinued operation	1,560	875	146	487	1,477
Adjusted net profit	48,716	57,154	70,938	41,886	43,602

Selected Consolidated Statements of Financial Position

	As of August 31			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	181,700	164,894	191,974	41,394
Current liabilities	317,776	322,408	345,695	234,071
Net current liabilities	(136,076)	(157,514)	(153,721)	(192,677)
Total non-current assets	1,085,141	1,168,258	1,395,493	1,453,535
Total equity	334,298	390,577	460,788	497,591

We recorded net current liability positions as of August 31, 2017, 2018, 2019 and February 29, 2020 primarily due to the fact that (i) we incurred payables for purchases of property, plant and equipment and interest bearing bank and other borrowings in relation to the construction of our Hanan Campus and the upgrading of our existing facilities to accommodate the expansion of our operation, (ii) we recorded payables of co-operation costs to NAU; and (iii) we received miscellaneous expenses from students in relation to the textbook fees, uniform fees and other subsidiaries as well as allowances held by our school on behalf of the students. We have ceased cooperation with NAU and the amount of co-operation costs due will be settled in accordance with a separate agreement with NAU, which was entered into on February 25, 2020, pursuant to which we will make three installments of RMB3.0 million, RMB5.0 million and RMB18.4 million in 2020, 2021 and 2022, respectively, to NAU for the outstanding co-operation costs. Please refer to the section headed "Financial Information – Description of Certain Key Items From Our Consolidated Statement of Financial Position – Current Assets and Current Liabilities" in this prospectus for further details. We expect to improve our net current liabilities and cash outflow positions by receiving cash generated from our operations and the net proceeds from the Global Offering. In addition, we intend to (i) actively seek new sources of financing from multiple financial institutions. As of the Latest Practicable Date, we were in the process of negotiating with several financial institutions to obtain new term loans with maturity period ranging from three to five years; (ii) negotiate with our current lenders to renew existing bank loans and other borrowings before they fall due or obtain new bank loans and other borrowings; (iii) negotiate with certain contractors and suppliers to extend our credit terms; and (iv) increase our revenue from tuition fees and boarding fees by raising our tuition fee and boarding fee rates and diversifying our educational programs, such as introducing the junior college to bachelor's degree transfer program for which we have received tentative approval from the MOE relating to over 200 new student admission quota, and applying for and obtaining certain additional student admission quota as approved by the MOE for the existing bachelor's program beginning in the 2020/2021 school year.

Selected Consolidated Statements of Cash Flows

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net cash flows from operating activities before movement in working capital	68,795	76,143	89,957	51,929	46,976
Change in working capital	38,276	(24,793)	47,102	(40,663)	(49,785)
Interest received and tax paid	(1,958)	1	(58)	72	(4,161)
Net cash flows from/(used in) operating activities	105,113	51,351	137,001	11,338	(6,970)
Net cash flows used in investing activities	(53,289)	(37,893)	(131,654)	(67,623)	(122,487)
Net cash flows from/(used in) financing activities	(30,172)	(20,626)	19,046	(6,099)	19,347
Net increase/(decrease) in cash and cash equivalents	21,652	(7,168)	24,393	(62,384)	(110,110)
Cash and cash equivalents at beginning of year/period	102,357	124,009	116,841	116,841	141,234
Cash and cash equivalents at end of year/period	124,009	116,841	141,234	54,457	31,124

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash and cash equivalents as stated in the consolidated statements of financial position	124,009	116,841	139,932	54,457	31,124
Cash and cash equivalents attributable to a discontinued operation	–	–	1,302	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows	124,009	116,841	141,234	54,457	31,124

We recorded cash outflows from operating activities for the six months ended February 29, 2020 primarily because we received most of the tuition fees and boarding fees from the students for the 2019/2020 school year by the end of August 2019. There was significantly less amount of tuition fees and boarding fees received during the six months ended February 29, 2020, while we continued to incur operating expenses in connection with our educational activities during this period. We had positive cash flows from operating activities for the same period in 2019 mainly because a large portion of the tuition fees and boarding fees were received by our school in September 2018 as a result of the late commencement of the 2018/2019 school year. For further details, please see "Financial Information – Description of Certain Key Items from Our Consolidated Statement of Financial Position – Contract Liabilities" in this prospectus. We believe we will be able to record positive cash flows from operating activities as we will receive tuition and boarding fees for the new school year during August and September in the normal course of our business. In addition, we intend to adopt various measures to improve our cash outflow position. For further details of these measures, please refer to "– Selected Consolidated Statements of Financial Position" in this section of the prospectus.

Key Financial Ratios

	For the Year Ended/As of August 31,			For the Six Months Ended/As of February 29,
	2017	2018	2019	2020
Net profit margin	45.2%	48.6%	50.9%	34.2%
Return on assets	3.8%	4.3%	4.8%	3.8%
Return on equity	15.2%	15.5%	16.5%	12.1%
Current ratio	0.57	0.51	0.56	0.18
Gearing ratio(1)	192.1%	168.7%	158.5%	157.1%
Debt to equity ratio	155.0%	138.8%	128.1%	150.8%
Modified interest coverage ratio(2)	1.78	1.90	2.13	1.55

Notes:

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

(2) Modified interest coverage ratio equals profit before interest and tax for the year/period (excluding the results of our discontinued operation) divided by finance costs (assuming not capitalized) for the respective year/period.

Please refer to section headed "Financial Information – Key Financial Ratios" in this prospectus for further details of the calculation methods adopted for the above table.

WORKING CAPITAL SUFFICIENCY

Despite the fact that we have recorded net current liabilities position during the Track Record Period and the net cash outflow from operating activities for the six months ended February 29, 2020, our Directors are of the view that, after taking into account (i) cash flows generated from our operations, which will be enhanced by (a) the introduction of the new junior college to bachelor's degree transfer program for the 2020/2021 school year for which we have received tentative approval from the MOE with over 200 new student admission quota; (b) certain additional student admission quota for the existing bachelor's degree program as approved by the MOE; and (c) our plan to raise the tuition fee and boarding fee rates for the 2020/2021 school year; (ii) the estimated net proceeds of the Global Offering and other funds raised from the capital markets from time to time; (iii) bank loans and other borrowings, and the fact that we have been able to obtain external financings during the Track Record Period; and (iv) the fact that we have been accumulating net profits since the beginning of the Track Record Period, we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this prospectus. As of the Latest Practicable Date, we had unutilized facilities of RMB169.0 million and US$13.0 million, and were in the process of negotiating with several financial institutions to obtain new term loans with maturity period ranging from three to five years.

LISTING EXPENSES

We expect to incur a total of RMB47.0 million of listing expenses (assuming an Offer Price of HK$2.35, being the mid-point of the indicative Offer Price range between HK$2.10 and HK$2.60, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, which accounts for approximately 13.3% of the gross proceeds from the Global Offering. For the six months ended February 29, 2020, we incurred RMB17.2 million as listing expenses, RMB4.1 million of which will be capitalized upon the Listing and the remaining RMB13.1 million was charged to our profit and loss for the six months ended February 29, 2020. We expect to incur additional listing expenses of RMB29.0 million, of which RMB13.1 million is expected to be charged to our profit or loss for the year ending August 31, 2020 and RMB15.9 million will be capitalized upon the Listing. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$2.10 per share	Based on an Offer Price of HK$2.60 per Share
Market capitalization of our Shares[(1)]	HK$1,400.0 million	HK$1,733.3 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share[(2)]	HK$1.30	HK$1.42

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 666,667,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and based on 666,667,000 Shares expected to be issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$359.5 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$2.35 per Share, being the mid-point of the indicative Offer Price range set forth on the Important Page of this prospectus.

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

- approximately 40.0%, or HK$143.7 million, is expected to be used primarily to expand our Hanan Campus in connection with the construction of the second phase;

- approximately 30.0%, or HK$107.9 million, is expected to be used for repayment of principals and interests of borrowings from financial institutions;

- approximately 20.0%, or HK$71.9 million, is expected to be used primarily to acquire other schools to expand our school network; and

- approximately 10.0%, or HK$36.0 million, is expected to be used to fund our working capital and general corporate purposes.

As the Over-allotment Option only involves the Shares which may be sold by the Over-allotment Option Grantor, we will not receive any proceeds from the exercise of the Over-allotment Option. In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$2.35 per Share (being the mid-point of the indicative Offer Price range set forth on the Important Page of this prospectus), the Over-allotment Option Grantor will receive net proceeds of approximately HK$57.6 million, after deducting the underwriting commissions and the Over-allotment Option Grantor's estimated expenses.

Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus for further details.

POTENTIAL FINANCIAL IMPACT FROM HYPOTHETICAL INCOME TAX

Upon the establishment of the Structured Contracts, before we extract the operating surplus of our school to the WFOE, we must first deduct the necessary costs, expenses required for the business operations of our school and taxes, make up for the losses of our school (if required by applicable laws and regulations), make annual appropriations of 25% of annual net income or annual increase in net assets to its development fund and make other deductions as required by applicable laws and regulations. The remainder is the distributable profit of our school, which constitutes the payments of service fees by our school to the WFOE under the Structured Contracts. We may consider extracting the operating surplus of our school to the WFOE, and if so, such amount will generally be subject to an EIT of 25% in the PRC. In addition, any dividend (after deducting EIT of the distributable profit in the PRC) contributed by the WFOE to Leader HK will be subject to a 10% withholding tax (or 5% in the case Leader HK applies for and is recognized as a Hong Kong tax resident). Therefore, for illustration purposes, assuming (i) we were subject to income tax as if the Structured Contracts under the WFOE had been in effect through the Track Record Period; (ii) for the purpose of the computation, we make annual appropriation of 25% of the net profit attributable to the operations of our school (assuming no other costs, expenses and taxes need to be deducted from the net profit and we are not required to make up for any loss) to the development fund before distributing such distributable profit as service fees to the WFOE under the Structured Contracts; (iii) the service fees received by the WFOE will be subject to an EIT rate of 25%; and (iv) the WFOE subsequently distributes all its after tax service fee income as dividend to Leader HK, which is further subject to a withholding tax rate of 10%, our profit for the year/period for each year/period in the Track Record Period would be reduced by a maximum of approximately 24.4%. Such reduction in our profit for the year/period is the combined effect of the EIT and withholding tax, which the WFOE and Leader HK will be obliged to pay in accordance with applicable tax laws and regulations under this hypothetical scenario.

DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depends primarily on dividends paid by the WFOE. The income of the WFOE in turn depends on the service fees paid by our PRC Consolidated Affiliated Entities under the Structured Contracts, in particular, our PRC Operating School, which was incorporated in the PRC. Our ability to distribute dividend is not impacted by our election to register our school as a non-profit private school or a for-profit private school. Please refer to the section headed "Business – Potential Implications of the 2016 Decision and Related Implementation Rules – 2016 Decision and Our Structured Contracts" in this prospectus for further details. Our subsidiaries in China must comply with its constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's FIE, our subsidiaries in China must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. Any amount of dividend we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Historically we have not declared or paid any dividend to our Shareholders and there is no assurance that dividends of any amount will be declared or be distributed in the future. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. Please refer to the section headed "Financial Information – Dividends" in this prospectus for further details.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) our business is heavily dependent on the market recognition of the brand and reputation of our school and our Group; (ii) we are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments, which if implemented in its current form, may have an adverse impact on the development, operation and management of our school; (iii) we may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities; (iv) our operation of the Hanan Campus involves uncertainties and risks; (v) we may not be able to successfully integrate businesses that we acquire, which may cause us to lose the anticipated benefits from such acquisitions and to incur significant additional expenses; and (vi) we face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified teachers and increased capital expenditures. Please refer to section headed "Risk Factors" in this prospectus for further details.

PROPERTY VALUATION

According to the property valuation report prepared by Cushman & Wakefield Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the market value of the properties we owned and occupied as of May 31, 2020 was approximately RMB24.0 million. Please refer to the section headed "Business – Properties" and Appendix III in this prospectus for further details on our properties. For risks associated with the assumptions made in the valuation of our properties, please refer to section headed "Risk Factors – Risk relating to Our Business and Our Industry – The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were not in compliance with certain PRC laws and regulations which were considered systemic in nature, i.e., our failure to make full payments to social insurance scheme and contributions to housing provident fund for the employees of our school. Please refer to sections headed "Business – Legal Proceedings and Compliance" in this prospectus for further details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operation has remained stable which was in line with our past trends and expectations. As of September 30, 2019, February 29, 2020 and the Latest Practicable Date, the total number of student enrollment at our school was 8,818, 8,807 and 6,739[(1)], respectively. In September 2019, we began to relocate a number of fourth-year students from Songbei Campus to Hanan Campus after the construction of the first phase of Hanan Campus was completed. This will potentially increase operating expenses for the year ending August 31, 2020. In addition, we expect to incur listing expenses in connection with the Listing and the Global Offering, which will likely impact our net profit for the year ending August 31, 2020.

Note:

(1) The student enrollment figure of our school as of the Latest Practicable Date takes into consideration (i) 2,067 fourth-year students who graduated from our school in early July 2020; (ii) seven students who either withdrew from our school or temporarily suspended their study in the spring semester of 2019/2020 school year; and (iii) six students who resumed their enrollment at our school in the same semester.

There has been an outbreak of the coronavirus disease 2019 ("COVID-19") that was first reported in Wuhan, Hubei Province, in December 2019. The outbreak has endangered the health of many people residing in China and significantly disrupted travel and the local economy across the country. The development of such epidemic in China is beyond our control. Please see "Risk Factors – Risks Relating to Our Business and Our Industry – We face risks related to natural disasters, health epidemics or terrorist attacks in China" in this prospectus for more details. As a result of the virus outbreak, we delayed the opening of our school campuses for the spring semester of the 2019/2020 school year and management has decided to conduct online courses when the 2019/2020 spring semester commences in March 2020. According to the instructions from the Education Department of Heilongjiang Province, students of the higher education institutions in the province who are graduating in the spring semester of the 2019/2020 school year were recommended to return to campus and resume classes starting from June 1 to June 7, 2020, while the schools can determine the back-to-school timetable for non-graduating students at their own discretion. Accordingly, our fourth-year students had returned to campus in early June 2020 and graduated from school before the end of June 2020. On the other hand, our first-year to third-year students will continue their learning online for the remainder of the spring semester until they return to campus for the fall semester of the 2020/2021 school year. Please refer to the section headed "Business – Our School – Curriculums and Major Offerings – Online Education System" for further details.

We do not expect the outbreak will have significant impact on our results of operations and financial condition for the school year ending August 31, 2020 as we have collected tuition fees and boarding fees in advance at the beginning of the school year in September 2019. We do not expect to refund tuition fees as we have been rendering education services online. However, we are required to refund a portion of the boarding fees collected for the 2019/2020 school year in accordance with the Notice on the Management of the School Fees During the Period of COVID-19 Prevention and Control (《黑龍江省教育廳關於做好疫情防控期間學校收費管理工作的通知》) issued by the Education Department of Heilongjiang Province in April 2020, which stipulates, among other things, that the boarding fees that were already collected from the students for the 2019/2020 school year shall be reassessed and refunded by the schools before the end of the spring semester of such school year based on the students' actual length of stay in the schools, the cost and expenses incurred for the student accommodation staff and the depreciation of assets, among other factors. Accordingly, the maximum amount of the boarding fees subject to refund is estimated to be approximately RMB5.0 million, which were recognized as contract liabilities as of February 29, 2020 and would be relatively insignificant as compared to the revenue we expect to derive from our operations for the same school year. Therefore, we do not believe that the outbreak of COVID-19 will materially impact our revenue for the year ending August 31, 2020.

We may face challenges if the outbreak prolongs, the operation of our school, including our student recruitment progress, may be adversely affected, which, in turn, will impact our financial performance in the 2020/2021 school year. However, as the number of newly confirmed cases continued to decrease in the PRC and Heilongjiang Province, many businesses have started to re-open in accordance with government guidance and various restrictive measures on travel and social distancing were gradually lifted for the residents within the country. According to the Frost & Sullivan Report, the number of student enrollment in private higher education in China and Heilongjiang Province is forecasted to increase from approximately 6.9 million and 117,200 in 2019, to approximately 7.3 million and 119,600 in 2020, respectively, while the total revenue of private higher education industry in China and Heilongjiang Province is forecasted to grow from RMB134.8 billion and RMB2.3 billion in 2019, to RMB150.2 billion and RMB2.5 billion in 2020, respectively, after fully taking into account of the impact of COVID-19 outbreak. The economies of the PRC and Heilongjiang Province are projected to recover from the COVID-19 outbreak in the second half of 2020 and the impact of which on the higher education in the PRC and Heilongjiang Province will be insignificant.

As a result of the COVID-19 pandemic, we have ceased conducting on-site promotion events at high schools across the country for the 2020/2021 school year, which were part of our traditional marketing and recruitment efforts. We have adopted or planned to adopt the following measures to compensate for the inadequate exposure of our school due to the lack of on-site promotion events: (i) launching an intelligent question-and-answering system, which provides 24-hour consultation service to prospective students and their parents; (ii) strengthening our marketing via different channels, such as the online platform of China Higher Education Student Information Website (中國高等教育學生信息網), college information guides published by the education examination authority of each province and new media outlets; (iii) actively participating in influential online student admission consultation events and communicating with prospective students in a live chat; and (iv) encouraging existing students, teachers and alumni to help with the publicity and promotion of our school.

In light of the expected recovery of the economies of the PRC and Heilongjiang Province and the measures to mitigate the adverse effects of the COVID-19 outbreak, we believe that our recruitment progress for the 2020/2021 school year will not be materially and adversely hindered by the COVID-19 outbreak and our student enrollment for the next school year will not be negatively affected.

In the event our students are not able to attend classes on our school campus for the 2020/2021 school year due to health and safety concerns, we will continue to carry out teaching online, which has been on-going since March 2020. As we still render education services to our students online, we will continue to receive tuition fees and recognize such revenue from our students. However, we may lose a portion of the revenue from boarding fees since our students may no longer use the dormitories on campuses. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, revenue from boarding fees amounted to RMB8.5 million, RMB9.3 million, RMB10.3 million and RMB6.4 million, respectively, which accounted for not more than 8.0% of our total revenue for each of these years. In this case, even if we are not able to collect boarding fees from our students, we do not expect that our financial performance for the 2020/2021 school year will be materially and adversely affected.

Assuming that (i) we will not be able to obtain additional student enrollment quota and the number of newly enrolled students for future school years will remain at 90.0%, being the lowest historical admission quota utilization rate during the Track Record Period, and we will not increase the tuition fee or boarding fee rates for the newly enrolled students for the future school years; (ii) our school continues to conduct online classes for all students and is unable to collect the boarding fees if the COVID-19 outbreak persists; (iii) there will be no other sources of funding except for cash on hand, unutilized banking facilities and the receipt of the net proceeds of the Global Offering at the low end of the Offer Price range, including a portion of the net proceeds of the Global Offering designated for our working capital and general corporate purposes (i.e., 10.0%); and (iv) our repayment of indebtedness and interests, capital expenditure and other operating cash outflows remain on the same schedules as currently contemplated, we would still expect to record positive cash and cash equivalents balance at each year end and remain financially viable for more than five years.

We have made thorough plans to prepare the return of our students. Please refer to the section headed "Business – Impact of COVID-19 and Preventive Measures" for further details. In order to step up the efforts to tackle the COVID-19 outbreak and ensuring the overall health and safety of our students and faculty, we implemented a series of measures to upgrade our medical services and facilities. Please refer to section headed "Business – Our School Management – Campus Services – Medical Care Services" for further details.

Subsequent to the Track Record Period and as of the Latest Practicable Date, our school expanded our school-enterprise collaboration practice and entered into three additional cooperation agreements with well-established players in the respective industries, namely, Phoenix Digital Media (Beijing) Education Technology Co., Ltd.* (鳳凰數媒(北京)教育科技有限公司) ("Phoenix"), Heilongjiang Russia Express Technology Business Incubator Co., Ltd.* (黑龍江俄速通科技企業孵化器有限責任公司) ("Express Incubator") and CCCC Second Harbor Engineering Company, Ltd. ("SHEC"), to establish collaboration in terms of, among others, new course formulation, practical training for students, on-going training and development of our teachers, entrepreneurship development and graduate employment. For details of the cooperation, please refer to the section headed "Business – Our School – Educational Approach – School-Enterprise Collaboration".

On May 11, 2020, we entered into a facility agreement with Huatai Principal Investment Group Limited (the "Lender"), an affiliate of the Sole Sponsor, in an aggregate principal amount of up to US$25.0 million (the "Facility"). On May 13, 2020, we made the first drawdown of US$12.0 million under the Facility, which has an effective interest rate of 12% per annum (based on a term of 12 months) and a term of 12 months that can be extended by an additional 12 months if mutually agreed by the parties. As of the Latest Practicable Date, we were in the process of arranging to use such borrowing primarily to repay a portion of the outstanding balance of certain bank loans, and we undertake to repay such bank loans and release the guarantees and charges provided by our Controlling Shareholders or their affiliated companies in connection with those bank loans on or before the Listing. See "Financial Information – Indebtedness" in this prospectus for more details.

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material and adverse change in our financial, operational or trading positions or prospects since February 29, 2020, being the date our consolidated financial statements were prepared, and there has been no event since February 29, 2020, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

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

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any one of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on July 22, 2020 which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing WFOE"	Beijing Junhua Business Information Consulting CO., Ltd.* (北京峻華商務信息諮詢有限公司), a limited liability company established under the laws of the PRC on July 8, 2020, which is wholly owned by Leader HK
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 499,999,750 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "A. Further Information about our Company – 4. Written resolutions of the then shareholder of our Company passed on July 22, 2020" in Appendix V to this prospectus

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
"Companies Law"	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Leader Education Limited (立德教育有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 17, 2019
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Ms. Dong, Mr. Liu, Junhua Education and Shuren Education
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed "History and Corporate Structure" in this prospectus
"Deed of Indemnity"	a deed of indemnity dated July 22, 2020 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information – 1. Deed of Indemnity" in Appendix V to this prospectus
"Director(s)"	the directors of our Company
"EIT"	enterprise income tax as stipulated by the EIT Law
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) adopted by the National People's Congress of the PRC on March 16, 2007 and which became effective on January 1, 2008 and revised on February 24, 2017 and December 29, 2018, which became effective on the same date
"Equity Pledge Agreements"	collectively, the Equity Pledge Agreement (I), the Equity Pledge Agreement (II) and the Supplemental Equity Pledge Agreement
"Equity Pledge Agreement (I)"	an equity pledge agreement dated February 6, 2020, entered into between WFOE, Harbin Xiangge, Mr. Liu and Ms. Dong in relation to the pledge of equity interest by Mr. Liu and Ms. Dong of their equity interest in Harbin Xiangge
"Equity Pledge Agreement (II)"	an equity pledge agreement dated March 25, 2020 entered into between WFOE, Harbin Xiangge, Mr. Liu and Ms. Dong in relation to the pledge of equity interest by Mr. Liu and Ms. Dong of their equity interest in Harbin Xiangge
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FIE"	foreign invested enterprise

"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th National People's Congress on March 15, 2019, which came into effect on January 1, 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the PRC education market, PRC private education market, PRC private higher education market and prepared by Frost & Sullivan, as referred to in "Industry Overview"
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Hanan Campus"	the campus of Heilongjiang College, located at North of Yucai Road, West Street of Limin Development Zone, Harbin City, Heilongjiang Province, the PRC, with aggregated gross site area of approximately 397,914.04 sq.m.
"Harbin Xiangge"	Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司), formerly known as Harbin Xiangge Property Development Ltd.* (哈爾濱祥閣房地產開發有限公司), a limited liability company established on February 7, 2007 under the laws of the PRC and is held as to 60% by Ms. Dong and 40% by Mr. Liu.

"Heilongjiang Administration Measures"	the Measures of Supervision and Administration of For-profit Non-state Schools 《黑龍江省營利性民辦學校監督管理辦法》which was promulgated by the People's Government of Heilongjiang Province on February 26, 2019
"Heilongjiang College" or "our school"	Heilongjiang College of Business and Technology (黑龍江工商學院), previously known as Chengdong College of Northeast Agricultural University* (東北農業大學成棟學院), a private regular undergraduate institution approved and established under the laws of PRC on April 28, 2015, of which the school sponsor's interest is wholly owned by Harbin Xiangge and consisting of Songbei Campus and Hanan Campus.
"Heilongjiang Implementing Opinions"	The Implementing Opinions of Heilongjiang Province People's Government on Encouraging Private Entities and Individuals to Operate Schools and Promoting the Healthy Development of Private Education (《黑龍江省關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) which was promulgated by the People's Government of Heilongjiang Province on February 26, 2019
"Heilongjiang Registration Measures"	the Implementation Measures of Heilongjiang on Classification of Registration of Private Schools (《黑龍江省民辦學校分類登記實施辦法》) which was promulgated by the People's Government of Heilongjiang Province on February 26, 2019
"**HK eIPO White Form**"	the application for the Hong Kong Offer Shares to be issued in applicant's own name by submitting applications online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 16,668,000 Offer Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on and subject to the terms and conditions of this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated July 24, 2020 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

"International Offer Shares"	the 149,999,000 Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering, together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor pursuant to any exercise of the Over-allotment Option
"International Offering"	the conditional offering of the International Offer Share(s) by the International Underwriters to institutional and professional investors outside of the United States in reliance on Regulation S, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The International Offering" in this prospectus
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners"	Huatai Financial Holdings (Hong Kong) Limited and CMB International Capital Limited
"Joint Lead Managers"	Huatai Financial Holdings (Hong Kong) Limited, CMB International Capital Limited, Victory Securities Company Limited, CASH Financial Services Group Limited and Goldbridge Securities Limited
"Junhua Education"	Junhua Education Limited (竣華教育有限公司), a company incorporated under the laws of the BVI on June 18, 2019 and wholly-owned by Mr. Liu, our Controlling Shareholder

"Latest Practicable Date"	July 19, 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Leader BVI"	Leader Education Limited (立德教育有限公司), a company incorporated under the laws of the BVI on June 18, 2019 and wholly-owned by our Company
"Leader HK"	Leader Education (HK) Limited (立德教育(香港)有限公司), previously known as Leader Education Limited (立德教育有限公司), a company incorporated in Hong Kong on July 12, 2019 and wholly-owned by Leader BVI
"Leader US"	Leader Education LLC, a limited liability company established in the State of Illinois, US on October 15, 2019, of which Leader HK is the sole member
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, August 6, 2020 on which our Shares are listed and dealings therein are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented, or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on July 22, 2020 and as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)

"MOE Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) issued by the MOE on April 20, 2018 to seek public comments
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the MOJ on August 10, 2018 to seek public comments
"Mr. Liu"	Mr. Liu Laixiang (劉來祥), the Chairman, the Chief Executive Officer, an executive Director and a Controlling Shareholder and the spouse of Ms. Dong
"Ms. Dong"	Ms. Dong Ling (董玲), an executive Director and a Controlling Shareholder and the spouse of Mr. Liu
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NAU"	Northeast Agricultural University (東北農業大學)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Negative List 2020"	Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》) (2020年版) which was promulgated by the NDRC and the MOFCOM on June 23, 2020 and became effective on July 23, 2020

"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for pursuant to the Global Offering, to be determined as described in the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantor pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by the Over-allotment Option Grantor to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which the Over-allotment Option Grantor may be required by the Sole Global Coordinator to sell up to 25,000,000 additional Offer Shares (representing not more than 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations of the International Offering, if any, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Over-allotment Option Grantor"	Junhua Education, in the capacity of a grantor of the Over-allotment Option pursuant to the International Underwriting Agreement
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC Consolidated Affiliated Entities"	the entities that we control through the Structured Contracts, which comprised Harbin Xiangge and Heilongjiang College

"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors"	Jingtian & Gongcheng, our Legal advisors as to PRC Laws
"Price Determination Date"	the date, expected to be on or around Thursday, July 30, 2020 but no later than Friday, July 31, 2020, on which the Offer Price is fixed for the purposes of the Global Offering
"Project 211"	a project of national key universities, which are universities recognized as prestigious and which received a high level of support from the PRC central government, and colleges initiated in 1995 by the MOE with the intent of raising the research standards of high-level universities and cultivating strategies for socio-economic development. As of the Latest Practicable Date, there were 112 higher education institutions in China that were designated as 211 Project institutions for having met certain scientific, technical, and human resources standards and offering advanced degree programs
"Project 985"	a project that was first announced by former President of China, Mr. Jiang Zemin, at the 100th anniversary of Peking University on May 4, 1998, to promote the development and reputation of the Chinese higher education system by founding world-class universities in the 21st century. The project involves both national and local governments allocating large amounts of funding to certain universities in order to build new research centers, improve facilities, hold international conferences, attract world-renowned faculty and visiting scholars, and help Chinese faculty attend conferences abroad. As of the Latest Practicable Date, there were 39 higher education institutions in the PRC that were sponsored by this project
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAMR"	the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局), formerly known as the State Administration of Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on July 22, 2020, the principal terms of which are summarized under the section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Shuren Education"	Shuren Education Limited (樹人教育有限公司), a company incorporated under the laws of the BVI on June 18, 2019 and wholly-owned by Ms. Dong, our Controlling Shareholder
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council on March 1, 2003, became effective on September 1, 2003 and amended on July 18, 2013 and March 2, 2019

"Sole Global Coordinator"	Huatai Financial Holdings (Hong Kong) Limited
"Sole Sponsor"	Huatai Financial Holdings (Hong Kong) Limited
"Songbei Campus"	the Campus of Heilongjiang College, located at Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province with aggregated gross site area of approximately 144,095 sq.m.
"Stabilizing Manager"	Huatai Financial Holdings (Hong Kong) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Over-allotment Option Grantor and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Equity Pledge Agreements, the Loan Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, and the Shareholders' Powers of Attorney, further details of which are set out in the section headed "Structured Contracts" in this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the Subsidiaries include our PRC Consolidated Affiliated Entities in this prospectus
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Supplemental Equity Pledge Agreement"	supplemental equity pledge agreement dated April 5, 2020, entered into between WFOE, Harbin Xiangge, Mr. Liu and Ms. Dong in relation to the pledge of equity interest by Mr. Liu and Ms. Dong of their equity interest in Harbin Xiangge which confirms, among others, the Equity Pledge Agreement (I) had been terminated upon the date of execution of the Equity Pledge Agreement (II)
"Track Record Period"	the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020
"U.S." or "United States"	the United States of America, its territories, and possessions, any state of the United States, and the District of Columbia
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the International Underwriters and the Hong Kong Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"WFOE" or "Liankang Consulting"	Heilongjiang Liankang Business Information Consulting CO., Ltd.* (黑龍江聯康商務信息諮詢有限公司), a limited liability company established under the laws of the PRC on August 8, 2019, which is wholly owned by Leader HK
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant's own names
"**YELLOW** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

“2016 Decision”	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) approved by the Standing Committee of the National People’s Congress on November 2016, which took effect on September 1, 2017

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

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

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

"bachelor's degree program"	a four-year post-secondary formal program that generally enrolls high school graduates who have taken the National Higher Education Entrance Exam, and upon the completion of which a bachelor's degree will be granted
"central China"	includes Henan, Hubei and Hunan Provinces
"dual-qualified teachers"	teachers who possess both adequate academic background and teaching skills along with relevant industry experience and practicable knowledge
"eastern China"	includes Shanghai, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
"initial employment rate"	the percentage of graduates who entered into fulltime employment contracts, were self-employed, accepted an offer for higher degree or equivalent programs, or accepted an offer to pursue overseas study or employment, before graduation. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered
"junior college to bachelor's degree transfer program"	a two-year post-secondary formal education program that enrolls graduates of junior college degree programs and upon completion of which a bachelor's degree will be granted

"National Higher Education Entrance Examination"	also known as "Gaokao" (高考), an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
"northeastern China"	includes Heilongjiang, Jilin and Liaoning Provinces
"northern China"	includes Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
"private higher education institution"	a PRC private higher education institution (民辦高等教育機構) that is operated by non-governmental entity(ies) or individual(s) where public funding is not a major source of capital and has open admission and enrolment to the public
"private school"	a school which is not administered by local, provincial or national governments
"public school"	a school administered by local, provincial or national governments
"retention rate"	the percentage of employees who did not leave our school during the relevant year/period, which equals the number of employees who worked at our school for the whole year/period divided by the total number of employees of our school at the beginning of the corresponding year/period
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for our school, which generally starts on September 1 of each calendar year and ends on August 31 of the next calendar year
"student enrollments"	Number of registered students of all grades in a school at certain time point
"sq.m."	square meter

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

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

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

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

During the Track Record Period, we owned and operated a single private school in Harbin City, Heilongjiang Province, which contributed virtually all of our revenue. As such, we are exposed to significant concentration risks and any adverse effect on the reputation, performance, facilities or profitability of our school due to risks highlighted in this section or otherwise effectively applies to our entire business. In addition, as all of our facilities are located in Harbin City, Heilongjiang Province, and we anticipate that the vast majority of our business operations and sources of revenue in the foreseeable future will likely continue to be concentrated in Heilongjiang Province, we are therefore exposed to geographic concentration risks. If Heilongjiang Province experiences any event that negatively affects its education industry, such as negative changes in local government policies relating to private education services, a serious economic downturn, a natural disaster or an outbreak of a contagious disease, our business, financial condition, results of operations and growth prospects may be materially and adversely affected. In addition, if the relevant government authorities in Heilongjiang Province implement additional rules and regulations restricting our student enrollment growth, limiting the tuition or boarding fees we may charge, or otherwise negatively impacting our business operations, our results of operations and growth prospects may be materially and adversely affected.

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

We ranked eighth among all private higher education providers in Heilongjiang Province in terms of the total number of student enrollment in the 2018/2019 school year, according to the Frost & Sullivan Report. We believe that our success is heavily dependent on the market recognition of the brand and reputation of our school and our Group. As we continue to grow in size and broaden the range of our business and services, it may become difficult for us to maintain the quality and consistency of the educational services we provide, which may lead to a loss of confidence in the brand name of our school and our Group.

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

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

We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments, which if implemented in its current form, may have an adverse impact on the development, operation and management of our school.

The 2016 Decision and Implementation Rules

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC. The 2016 Decision, which became effective on September 1, 2017, introduced a number of amendments. Under the 2016 Decision, sponsors of an existing private school engaged in higher education may elect to register the school as a non-profit or for-profit private school at their own discretion. We are not required at this stage to make any decision as to whether our school will be registered as non-profit or for-profit private school under the 2016 Decision. As of the Latest Practicable Date, we had not made a decision to register our school as a for-profit private school or a non-profit private school.

The election to register our school as a non-profit or for-profit private school may have a material impact on our business, financial condition and results of operations, of which we are currently not in a position to accurately assess due to the absence of any further detailed implementation rules under and interpretations of the 2016 Decision.

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the State level in December 2016. Please refer to section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC" in this prospectus for details.

On February 26, 2019, the People's Government of Heilongjiang Province promulgated the Heilongjiang Implementing Opinions, the Heilongjiang Registration Measures, and the Heilongjiang Administration Measures, which stipulate that private higher education institutions (established before November 7, 2016) in Heilongjiang are required to submit the application for and complete the classification registration before September 1, 2022. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the 2016 Decision, see the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC – The 2016 Decision" in this prospectus.

Major uncertainties and legal implications under the 2016 Decision and relevant implementation rules which we may be susceptible to include:

- if we elect to register our school as a for-profit private school, we will be required to (i) undertake financial liquidation; (ii) have the property rights of the relevant assets, such as land, school buildings and net balance be authenticated by the relevant governmental authorities; (iii) pay the relevant taxes and fees; and (iv) re-register with the relevant government authorities to continue the school operations. In particular, the current legislations are silent as to the tax treatment of a for-profit private school and more specific provisions are yet to be introduced. Our school may no longer enjoy the preferential tax treatment currently available to us. In addition, due to the rather limited government support available to a for-profit private school, our school may no longer enjoy similar government support as non-profit private schools. In the absence of any detailed implementation rules or further guidelines, we are not be able to predict or estimate the potential costs and expenses to be involved, which may materially and adversely affect our business, financial condition and results of operations; or

- if we elect to register our school as a non-profit private school, (i) our school will not be permitted to distribute the operating proceeds to its sponsors and the surplus from the school operations can only be applied to its continued operations; (ii) the provincial government authorities may impose restrictions on our school fees, including the range and type of fees chargeable and approval or filing requirements; and (iii) the sponsors of our school shall amend the constitutional documents and re-register with the relevant government authorities to continue its operations. We may incur significant administration and other expenses and costs during the re-registration process, which may materially and adversely affect our business, financial condition and results of operations.

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

The MOJ Draft for Comments

On August 10, 2018, the MOJ issued the MOJ Draft for Comments to seek public comments. The MOJ Draft for Comments further promotes the development of private education by providing that: (i) a non-profit private school shall be entitled to the same tax benefits as a public school, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applicable to the industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, local governments may provide land by means of bid invitation, auction or listing, assigning contracts, long-term lease or a combination of sales and rentals and give appropriate preferential treatment on charges for the assignment or rental of land, and permit payment in installment. For details of the provisions of the MOJ Draft for Comments, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC – The MOJ Draft for Comments" in this prospectus.

Should we elect to register our school as a for-profit private school, under the MOJ Draft for Comments, we may be required to increase the registered capital of our school to no less than RMB200.0 million. As of the Latest Practicable Date, our school had a registered capital of approximately RMB183.3 million. In addition, we may be required to pay land transaction fees at RMB78.0 per sq.m. to the local land and resources bureaus for the land we occupied at Songbei Campus with an aggregate gross site area of approximately 144,095 sq.m. and at Hanan Campus with an aggregate gross site area of approximately 397,914.04 sq.m., as well as for other lands we occupy in the future under any preferential treatment of the local governments, in the event we intend to register our school as a for-profit private school. We may need to use internally generated funds from our Group's operations and to the extent necessary, obtain external bank borrowings, to satisfy such requirement in respect of registered capital and land transactions, which could create strains on our financial condition and adversely affect our business operations.

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

The MOJ sought comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to September 10, 2018, but has not yet provided the timeframe for the promulgation of the Implementation Rules on the Law for Promoting Private Education of the PRC as of the Latest Practicable Date. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent government authorities will not deviate from our current understanding or interpretation of it.

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

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

The tuition fees we are able to charge at our school is one of the most significant factors affecting our profitability. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, tuition fees constituted approximately 92.1%, 92.1%, 92.5%, 93.0% and 92.9% of our total revenue, respectively, while the boarding fees accounted for the remainder of our total revenue. Our tuition fees are primarily determined based on the quality and demand for our educational programs, the costs of our operations, the geographic market where we operate our school, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. We generally require all of our students to reside in our dormitories in our school and charge them boarding fees. Our boarding fees are affected by the costs of operating the dormitories, the general housing market where we operate our school, the boarding fees charged by our competitors and the general economic conditions in China, in particular, Heilongjiang Province.

Tuition fees charged by our school are generally subject to the approval from the relevant government pricing authorities in China. However, in recent years, the PRC government authorities have gradually loosened the control over tuition fees and boarding fees. According to the Notice of the Bureau of Administration for Commodity Price Regulation of Heilongjiang Province to Remove the Restrictions on Prices of a Group of Commodities and Services (《黑龍江省物價監督管理局關於放開一批商品和服務價格等有關事項的通知》) published in 2017, private higher education institutions in Heilongjiang Province are no longer subject to the approval requirements or predetermined fee limits from the relevant government authorities when they make adjustments to the tuition fee rates and boarding fee rates that they charge to their students. Thus, private higher education institutions in Heilongjiang Province, including our school, have the discretion to determine the tuition fee and boarding fee standards, taking into account of market conditions, school operations and other factors. Please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC – Interim Measures for the Management of the Collection of Private Education Fees" in this prospectus for further details.

During the Track Record Period, we have raised tuition fee rates for all majors in the 2016/2017, 2017/2018 and 2018/2019 school years. We also increased boarding fee rates for students in the 2017/2018 and 2018/2019 school years. However, there can be no assurance that we will be able to maintain or raise the tuition fee rates and/or boarding fee rates we charge at our school in the future due to various reasons. In the event we elect our school to be a non-profit private school under the 2016 Decision framework, the tuition and boarding fees we are able to charge shall be subject to the regulation of the provincial government. As a result, we may be required to reduce the tuition fee and boarding fee rates we currently charge our students in order to comply with the new regulatory requirements of the government, if any, which may adversely impact our ability to generate sufficient income from our school operations. Even if we are able to maintain or raise tuition or boarding fee rates, we cannot assure you that we will be able to attract prospective students to apply for our school at such increased fee levels, nor can there be assurance that we will be able to collect all the tuition fees and boarding fees on time from all of our students. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition fees and boarding fees levels, attract sufficient students or collect the tuition fees and boarding fees on time.

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

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

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

If we fail to admit all qualified students who are interested in enrolling in our school due to these capacity constraints or student enrollment quota limitations, we may not be able to maintain our historic enrollment levels or to grow our student enrollment. Thus, we may not be as successful in carrying out our growth strategies and expansion plans as we would have anticipated, which may have a material and adverse effect on our business, financial condition and results of operations. If the admission quota for our school does not increase or even decreases in the future, the total number of our enrolled students may decrease, and our total revenue may not grow as expected or may even decline, which in turn will have a material and adverse impact on our business, financial condition and results of operations.

In addition, during the Track Record Period, the overall yield (報到率) of our school, which is defined as the number of students who registered with our school divided by the number of students who received our offer letters, was approximately 91.2%, compared with an average overall yield of approximately 75.3% for all private higher education institutions in Heilongjiang Province during the same period. There can be no assurance that the overall yield of our school will remain stable or increase in the future. For example, some university applicants who have been admitted for our junior college program may choose not to register with our school, and decide to re-take the National Higher Education Entrance Exam in the following year. If the number of such students increases, the number of our enrolled students may decrease, which may materially and adversely affect our business, financial position and results of operations.

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

We have experienced steady growth and expansion since our inception that has placed, and continues to place, significant pressure on our management and resources. We plan to leverage our existing operations and resources to further expand our business operations and school network by expanding our Hanan Campus with an aggregate planned gross site area of approximately 397,914.04 sq.m., which is expected to have an aggregate planned school capacity of approximately 7,500 students. We are also in the process of negotiating with the local government about the possibility to establish a junior college in Daqing City, Heilongjiang Province that is expected to primarily offer majors and curriculums relating to the equipment manufacturing industry.

To manage and support our growth, we must make enhancements to our existing operational, administrative and technological systems, our financial and management controls, and recruit, train and retain additional qualified teachers. All of these efforts require substantial management time and the commitment of significant additional resources and expenditures. If we cannot adequately upgrade or strengthen our operational, administrative and technological systems and our financial and management controls to support our future expansion, we may not be able to effectively and efficiently manage the growth of our operations, recruit and retain qualified personnel and integrate entities we establish or acquire into our business operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business, financial condition and results of operations. Even if we are able to maintain or expand student enrollment in our existing school, we may be unable to retain a sufficient number of these students or attract prospective students in the future to expand the scale of our operations, which could adversely impact our business, financial condition and results of operations.

Furthermore, as part of our business strategies and our efforts to meet the Qualification Requirement, we plan to establish a degree-granting higher education institution in the State of Illinois, the United States (the "US School"), which is expected to mainly offer business education, distance education opportunities and career development services to equip students with practical skills. Please refer to the section headed "Business – Our Business Strategies" in this prospectus for more information. However, in addition to the various factors mentioned above, we have not established or operated any higher education institutions outside of China before and may lack the relevant experience or expertise for implementing our business plan for the development and operation of the US School. If we fail to successfully execute our growth strategies, we may not be able to realize our expansion and our business, financial condition and results of operations may be materially and adversely affected.

There is no assurance that we will always be able to successfully render educational services to our students and failure to do so may subject us to claims of refunds of tuition fees and/or boarding fees.

Due to the nature of the business operation of our school, we derive revenue mainly from tuition fees and boarding fees paid by the students of our school. We generally require tuition fees and boarding fees to be paid by our students in advance prior to the beginning of each school year in September, which are initially recorded as contract liabilities and are proportionately recognized as revenue when the relevant services are rendered to our students during the school year. We recorded contract liabilities of RMB107.6 million, RMB96.3 million, RMB129.2 million and RMB73.9 million as of August 31, 2017, 2018 and 2019 and February 29, 2020.

The delivery of our services to the students may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters. In such events, we may need to refund a portion or all of our contract liabilities comprising tuition fees and boarding fees not yet recognized as revenue to our students. For instance, due to the outbreak of COVID-19 epidemic in 2020, our school was unable to timely open its campuses for the spring semester of 2020 as previously scheduled, and we had to resort to providing education services to our students via third-party online education platforms. As a result of which, the boarding fees we collected at the beginning of the 2019/2020 school year and initially recognized as contract liabilities will be subject to refund, which is estimated to be approximately RMB5.0 million for the year ending August 31, 2020. In the event we are unable to successfully render services to our students, we may be subject to claims to refund a portion or all of our contract liabilities, which may materially and adversely affect our business, results of operations and financial condition.

Our operation of Hanan Campus involves uncertainties and risks.

In order to increase the capacity of our school, we have begun to construct Hanan Campus. The first phase of the construction was completed in September 2019, which involved a portion of the campus with an aggregate gross floor area of approximately 138,876.3 sq.m. The new campus increased the capacity of our school by approximately 4,440 students. We expect to commence the construction of the second phase with an aggregate planned gross site area of approximately 200,000 sq.m. in the third quarter of 2020 and complete the construction in 2023. Once put into operation, the second phase will further increase the capacity of our school by approximately 3,000 students. Beginning in the 2019/2020 school year, we have begun to relocate a number of fourth-year students from Songbei Campus to Hanan Campus. We expect that the first phase of Hanan Campus will be able to accommodate all of our fourth-year undergraduate students, the students of the School of Railway (including incoming first-year students to be enrolled in the 2020/2021 school year), and the existing first-year to third-year students of the computer science and technology and electronic information engineering departments in the 2020/2021 school year. During the transition period, our teaching and administrative staff commute by our school buses between the two campuses, which are approximately 50 kilometers apart in the city of Harbin. Thus, we will incur additional operating expenses and transportation fees. We may face difficulties in integrating the operations, technologies, services and personnel of the new Hanan Campus with our existing Songbei Campus. We may also not be able to establish and maintain effective internal controls over the new campus and ensure that we are able to provide the same high-quality education in both campuses. If any of the above occurs, our business, results of operations, reputation and business prospects could be adversely and materially affected.

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

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

- retaining qualified teaching staff of any acquired school;
- consolidating the educational services offered by the acquired school;
- complying with the regulatory requirements;
- the acquired schools having a culture that may be adverse to change and may not be receptive to our educational values and methods;
- integrating educational and administrative systems;
- minimizing disruptions to existing students' curricula and ensuring their ability to progress through the applicable education programs is not hindered as a result of the acquisition;
- ensuring and illustrating to our students and their parents that the new acquisitions will not result in any adverse changes to our established brand image, reputation, service quality or standards; and
- minimizing the diversion of our management's attention from its on-going business concerns.

We may not be able to successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all, and we may not realize the expected benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipated, which may have a material adverse effect on our business, financial condition and results of operations.

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

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

We face increasing competition from the online education service providers due to the outbreak of COVID-19 as we temporarily closed our campuses and started to provide education services to students via online platforms.

Due to the outbreak of COVID-19 in the early 2020, we temporarily closed our school campuses and started to provide education services to our students via third-party online platforms since March 2020. With this sudden shift from in-classroom learning and teaching to the adoption of online teaching and learning, which will continue to persist if the COVID-19 outbreak prolongs, we may face increasing competition from institutions and market players which provide online education programs. We cannot assure you that we will be able to provide more attractive online education programs as compared to those provided by the online education service providers and institutions, which could be more diverse and attractive than the online programs we offer. Even if the COVID-19 outbreak is successfully contained in the future, we cannot assure you that such outbreak will not have a permanent impact on the education sector in a way that increases the likelihood of prospective students choosing programs provided by online education service providers and institutions over those provided by our school as the popularity of online education grows. If we are unable to successfully compete with online education service providers and institutions in terms of new student enrollments, competitive tuition fee rates, and the quality of education services, our business, results of operations and financial condition may be materially and adversely affected.

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

We rely substantially on our teachers to provide educational services to our students. Therefore, our teachers and their qualifications are critical in maintaining the quality of our programs and services and in upholding our brand and reputation. As of February 29, 2020 and the Latest Practicable Date, we had a team of 450 and 465 teachers, respectively.

We mainly focus on providing high-quality private higher educational services. It is therefore crucial for us to attract qualified teachers who have a strong command of their respective subject matters and have sufficient industry experience in the relevant areas. We seek to hire teachers who have the necessary education background and are competent in presenting clear and practical classroom instructions. We believe that there are a limited number of qualified teachers with the relevant experience and subject matter expertise to teach our courses. Similarly, the pool of qualified school management and administrative personnel, such as principals, vice principals and other school administrators, all of whom are crucial to the efficient and smooth running of the school we operate, is relatively limited in China. We cannot assure you that we can recruit and retain such personnel in the future. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, the retention rate of our full-time teachers was approximately 94.9%, 94.1%, 93.0% and 96.6%, respectively. In addition, during the recruitment process, it is difficult to properly assess candidates on certain qualitative features, such as their commitment level and dedication, particularly as we continue to recruit more teachers to meet the needs of rising student enrollment. Furthermore, we need to provide relatively competitive compensation and benefits packages to attract and retain qualified and competent teachers. We must also provide mandatory and on-the-job training programs for newly hired teachers as well as continuing training courses for existing teachers, so that our teachers are able to keep abreast of the industry developments and understand what practical skills of our college graduates are currently sought after by potential employers, which enables them to incorporate such relevant knowledge in their lectures and training classes.

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

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

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

Furthermore, there had been a downward trend in the school-age population in the past five years in the PRC, according to the Frost & Sullivan Report. The decrease in school-age population will adversely impact the market demand for education in the short run. If we fail to maintain and improve our attractiveness to prospective students and our overall competitiveness, the declining demand for our educational services and programs could negatively impact student enrollment, and materially and adversely affect our business, financial condition, results of operations and prospects.

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

The success of our business relies on our ability to maintain the quality of education we provide and to equip our students at our school with the necessary knowledge and skills to find suitable employment and to achieve high initial employment rates for the graduates. Our school may not be able to meet students' and their parents' expectations for academic performance, or help our college graduates obtain satisfactory jobs upon graduation. A college student may not find suitable employment after graduation, experience expected academic improvement or acquire desired skills or his or her performance may otherwise decline significantly due to reasons beyond our control. There is no assurance that we can provide school learning experiences that are satisfactory to all of our students or maintain the initial graduate employment rates at our school. Student and parent satisfaction with our educational programs may decline. We may also experience negative publicity or our marketing efforts may be ineffective. Any such negative developments could result in students' withdrawals or unwillingness to apply for admission to our school, and therefore, could have a material and adverse impact on our reputation. If our overall yield decreases substantially or if we otherwise fail to continue to attract and admit qualified students, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

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

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

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

Moreover, we may acquire existing schools as part of our business strategy to expand our school network and market penetration. Such acquisition is also subject to PRC government approval. If we are unable to secure such approval for any reason, our expansion strategy may not be fully realized, which could adversely affect our business, financial condition and results of operations.

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

We may, from time to time, renovate existing premises or construct new buildings to ensure that we can improve our teaching facilities' convenience and comfort for our students, teachers and staff. We may also develop new campuses and school premises as we grow in size and expand our business operations. Accordingly, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development for campuses and school premises to be constructed, including, among others, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections, as well as building ownership certificates. We may encounter problems in the future in fulfilling the conditions precedent to the receipt of these permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all.

If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of our new campuses or new building at our existing campuses, the time of new campuses or new buildings being put into use and our student recruitment for the new campuses may be delayed, which may negatively affect the effectiveness of our growth strategies. In particular, some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. As of the Latest Practicable Date, (i) we had one building in Songbei Campus with a gross floor area of approximately 5,400.24 sq.m. that we did not obtain the relevant building ownership certificate and construction permit, and did not complete the relevant environmental impact inspection, fire control inspection and construction project completion acceptance check before putting it into use; and (ii) we had utilized four buildings in Hanan Campus with an aggregated gross floor area of approximately 22,464.12 sq.m., which did not have the relevant building ownership certificates or complete fire control inspection and construction project acceptance check before putting them into use. As a result, our right to use these properties may be limited or challenged by the relevant government authorities or third parties. The risks in connection with the non-compliance of these properties generally include the following;

- for construction work that is carried out without a construction permit, the license issuing authority with jurisdiction shall (i) order the construction to be ceased; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the contract price of the construction;

- for construction projects we have put into use without completing the environmental impact inspection, we could be ordered by the competent environmental protection authority to rectify such non-compliance within a prescribed time period and may be subject to fines of not less than RMB200,000 and up to RMB1.0 million. Failure to rectify within the prescribed time period would result in an fine of not less than RMB1.0 million and up to RMB2.0 million. In the event that such non-compliance caused major environmental pollutions or destruction of ecosystems, we could be required to discontinue our use of the relevant construction and even to close our business when ordered to do so by relevant governmental authority;

- for construction projects we have put into use without completing the fire control completion inspection, we are subject to the risk of being prohibited from using these buildings or closing our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 per building; and

- for construction projects we have put into use without passing the construction project acceptance check, the construction entity may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed.

For further details, please see "Business – Properties" in this prospectus.

As of the Latest Practicable Date, we had suspended the use of the building in Songbei Campus and had completed the on-site construction project completion acceptance check and on-site fire control inspection with respect to all of the buildings in Hanan Campus, which were conducted by the competent authority. After the on-site checks and inspections, as of the Latest Practicable Date, we had obtained the fire control inspection compliance certificates issued by the relevant authority for three of the four non-compliant buildings we had utilized and another five unutilized buildings in Hanan Campus with an aggregated gross floor area of approximately 74,257.64 sq.m., and the official issuances of the remaining outstanding compliance certificates of the construction project completion acceptance check and fire control inspection were being processed by the relevant government authority. Based on the interview we conducted with an official of the Harbin City Shuangcheng District Housing and Urban-Rural Construction Administration (哈爾濱市雙城區住房和城鄉建設管理局) on February 24, 2020, our PRC Legal Advisors are of the view that the risk that we will be subject to the abovementioned penalties in relation to the construction projects we have put into use without completing the fire control inspection and passing the construction project acceptance check with respect to the buildings we occupy in Hanan Campus is relatively small. Please refer to the section headed "Business – Properties" in this prospectus for further details. However, we cannot assure you that any remedial measure in connection with our properties will be implemented as intended, or at all. We also cannot assure you that we will not encounter any impediment in applying for the relevant certificates, permits or licenses, as the case may be. Our remedial measures may also divert significant management attention and other corporate resources. In the event we lose the rights to any of our buildings, our use of such buildings may become limited, or we may be forced to relocate our school and incur additional costs in which there will be disruptions to our school operations and our business, financial condition and results of operations may be materially and adversely affected.

In addition, if we fail to obtain requisite permits, certificates or approvals for new campuses and school premises we will develop and construct in the future, we may become subject to administrative fines and other penalties or may be ordered to relocate our school which could disrupt our business and cause us to incur additional expenses and hence may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our school is subject to compliance requirements relating to the teacher-student ratio.

According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》) (the "School Condition Notice") promulgated by the MOE in 2004, the qualified teacher-student ratio of our school which provides higher education should be maintained at a level of not less than 1:18, and the applicable restrictive teacher-student ratio of our school shall be not less than 1:22. Our school did not fully meet the regulatory requirements of the qualified teacher-student ratio during the Track Record Period. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school year, the teacher-student ratio of our school was 1:18.9, 1:20.6, 1:20.6 and 1:19.5, respectively.

According to the School Condition Notice, the teacher-student ratio is one of the basic school operating condition indicators (基本辦學條件指標) that are categorized into "Qualified Indicators" (which includes the teacher-student ratio of 1:18) and "Restrictive Indicators" (which includes the teacher-student ratio of 1:22). For details of the basic school operating condition indicators, please refer to the section headed "Business – Our School – Our Teachers, Teacher Recruitment, Training and Evaluation" in this prospectus. As advised by our PRC Legal Advisors, there is no provision under the School Condition Notice stipulating that the schools which failed to meet the Qualified Indicators are subject to any legal consequences. In the event that one of the basic school operating condition indicators of a school does not meet the Restrictive Indicators, the school may receive a yellow card issued by the competent government authority and its student admission must not exceed the number of the graduates in the same year. In the event that a school receives a yellow card for three consecutive years, it may receive a red card issued by the competent government authority and its student admission will be subject to suspension.

While our school had not received any yellow or red card(s) during the Track Record Period and up to the Latest Practicable Date, we will continue to monitor and adjust the teacher-student ratio as necessary and where applicable based on the needs of our increasing student enrollments and our school's education plans and activities without compromising the quality of our education or profitability. We cannot assure you that we can recruit and retain a sufficient number of qualified teachers to comply with the School Condition Notice. In addition, while our school has not received any yellow or red card from, or been subject to any form of administrative penalty by, the competent government authorities in relation to its compliance with the teacher-student ratio during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that the relevant education authorities will not impose any fines or penalties on us for not complying with the regulatory requirements in the future. If the relevant education authorities impose fines or penalties on us or our school, our business financial condition, future prospects and results of operations may be adversely affected.

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

Private higher education industry is subject to regulations in various aspects. Relevant rules and regulations could be amended or updated from time to time to accommodate the development of PRC education, in particular, the private education markets. For instance, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, and was amended in June 2013, and was further amended in November 2016 and took effect on September 1, 2017, and last amended on December 29, 2018. Pursuant to the new amendments, (i) school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school; (ii) school sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so; (iii) a non-profit private school shall enjoy the same preferential tax treatment as public schools while a for-profit private school shall enjoy the preferential tax treatment as otherwise stipulated by the State Council; and (iv) a for-profit private school may determine the fees to be charged by taking into account factors such as the school operation costs and market demand and no prior approval from government authorities is required for such fees, while a non-profit private school shall collect fees pursuant to the measures stipulated by the relevant local government. According to Heilongjiang Implementing Opinions, private higher education institutions (established before November 7, 2016) in Heilongjiang are required to submit the application for and complete the classification registration before the September 1, 2022. As of the Latest Practicable Date, we have not made a decision to register our school as a for-profit private school or a non-profit private school. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" in this prospectus.

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

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

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

In addition, we were not required to pay any PRC income tax during the Track Record Period in respect of the revenue from formal education services during the Track Record Period, according to the confirmation letters issued by the PRC local tax bureaus and the local offices of the SAT, respectively. We cannot assure you that the PRC government will not promulgate relevant tax regulations that will reduce or eliminate such preferential tax treatments, or the local tax bureaus will not change their policy in the future. If the currently available preferential tax treatments discontinue or the applicable enterprise income tax rate and/or value-added tax rate increase in the future, our profitability may be materially and adversely impacted. In addition, after the Corporate Reorganization, Liankang Consulting is subject to a PRC income tax rate of 25%. It is also subject to a value-added tax of 3% as of the Latest Practicable Date, which may be subject to change in the future, according to our PRC Legal Advisors. If the applicable value-added tax rate increases in the future, our profitability may be adversely impacted.

Furthermore, we have received various amounts of government grants during the Track Record Period, which were mainly related to grants from the social security authority determined with reference to the amount of unemployment insurance we paid to such authority. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, government grants we received amounted to RMB13,000, RMB287,000, RMB51,000, RMB51,000 and RMB64,000, respectively. While these government grants were recurring in nature during the Track Record Period, there is no assurance that the PRC government will continue to provide such grants to us in the future. In the event government subsidies are reduced substantially or entirely, our business, financial condition and results of operations could be affected.

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

We had net current liabilities as of August 31, 2017, 2018 and 2019 and February 29, 2020. We may be exposed to liquidation risks, and our business, financial condition and results of operations may be materially and adversely affected as a result.

During the Track Record Period, we relied on a combination of funds generated from our operations, loans from banks and advances from certain related parties and shareholders to finance our business operations and expansion during the Track Record Period. As of August 31, 2017, 2018 and 2019 and February 29, 2020, we had net current liabilities of RMB136.1 million, RMB157.5 million, RMB153.7 million and RMB192.7 million, respectively, mainly because (i) we incurred payables for purchases of property, plant and equipment and interest bearing bank and other borrowings in relation to the construction of our Hanan Campus and the upgrading of our existing facilities to accommodate the expansion of our operation; and (ii) we recorded payables of co-operation costs to NAU.

Our net current liabilities position exposes us to liquidity risk. Our future liquidity will primarily depend on our ability to maintain adequate cash generated from operating activities and sufficient external financing.

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

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

We had net cash outflow from operating activities for the six months ended February 29, 2020.

For the six months ended February 29, 2020, we recorded cash outflows from operating activities of approximately RMB7.0 million. We recorded cash outflows from operating activities for this period primarily because we received most of the tuition fees and boarding fees from the students for the 2019/2020 school year by the end of August 2019, which resulted in significantly less amount of tuition fees and boarding fees received during the six months ended February 29, 2020, while we continued to incur operating expenses in connection with our educational activities during this period. We cannot assure you that we will not experience negative net operating cash flows in the future, and if such situation is not managed properly, it could negatively affect our business operations and financial condition. Our future liquidity, the payment of other payables and accruals, as well as the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and/or obtain external financings. If we are unable to maintain positive cash flows from operations, we may not be able to meet our payment obligations to support our business operations. As a result, our business, financial position, results of operations and prospects may be adversely affected.

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

We generally require tuition fees and boarding fees for a full school year to be paid by students to our school prior to the commencement of each school year. We usually recognize revenue proportionately over the relevant school year, which generally commences from September of the current year to August of the following year, except tuition fees are not recognized in February for winter holiday and July and August for summer holiday purposes. Boarding fees are recognized proportionately over a 12-month period from September of the current year to August of the following year for non-graduating students and over a 10-month period from September of the current year to June of the following year for graduating students. Accordingly, we have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, primarily due to seasonal changes in service days. However, our costs and expenses vary significantly and do not necessarily correspond with our recognition of revenue. We expect fluctuations in our revenue and results of operations to continue.

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

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

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

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

Our future success is highly dependent on the acceptance, development and expansion of the market for private for-profit education services in China. The private education services market began to develop in the early 1980s and experienced rapid growth in the 1990s, and has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council promulgated the first regulation to promote the private education industry in China. However, private education services on a for-profit basis were not permitted in China until September 2017 when the amendments made to the Law for Promoting Private Education of the PRC became effective. The development of this industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools and universities. Significant uncertainty as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referenced in relevant PRC law are available to non-profit private schools, such as preferential tax treatment, while for-profit private schools are supposed to enjoy preferential tax treatment as subject to the State's provisions. To date, however, other than the Detailed Rules for the Several Opinions of the State Council on Encouraging Private Entities and Individuals to operate Schools and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) and the Implementation of Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) and the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) and the Notice of the General Administration of Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private Schools (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》), no separate policies, regulations or rules have been introduced by the authorities at the State level in this regard. Please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC" in this prospectus for further details. If the private education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favorable regulatory environment otherwise changes in the future, we may be unable to grow our business and the market price of our Shares could be materially and adversely affected.

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

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza, severe acute respiratory syndrome, or SARS, COVID-19, swine flu or H1N1 virus and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, as most of our students are boarding students and our school provides on-campus accommodations to our teacher and staff, the boarding environment makes our students, teachers and staff exceptionally vulnerable to epidemics or pandemics, which may make it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. For example, in early 2020, the outbreak of COVID-19 epidemic in China has endangered the health of many people residing in the PRC and significantly disrupted travel and the local economy across the country. These events could also substantially impact our industry and caused a delay to the opening of the school campuses for the spring semester of the 2019/2020 school year for the schools in the PRC, including our school. In addition, any of these events may cause material disruptions to our operations, such as temporary closure of our school campuses, which in turn may materially and adversely affect our business, financial condition and results of operations. If any of these events occur, our school and facilities may suffer damages or be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such events. For instance, our operations could be further disrupted if any of our students, teachers and staff were suspected of contacting a contagious disease, since this could require us to quarantine some or all of our employees or students and disinfect the facilities used in our business operations. Any of these could adversely affect the PRC economy and demographics of the affected region, which could cause significant declines in the number of our students applying to or enrolled in our school. If this takes place, our business, financial condition and results of operations could be materially and adversely affected. As of the Latest Practicable Date, there had been no new confirmed cases of COVID-19 recorded in Heilongjiang Province where our school is located for an extended period of time. However, as we only operate one single school in Heilongjiang Province, the potential resurgence of COVID-19 outbreak there could materially disrupt the operation of our school, including, but not limited to, student admission and enrollment and the delivery of our educational services. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

We currently outsource certain meal catering services at our school to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food it serves to our students and therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards.

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

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

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that our property valuer, Cushman & Wakefield Limited, used in the property valuation report include: (i) our Group has an enforceable title to the properties and has free and interrupted rights to use, occupy and assign the properties for the whole of the respective unexpired land use term as granted and that any premium payable has been fully paid; (ii) all consents, approvals and licenses from the relevant government authorities for the developments have been obtained; (iii) the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities; and (iv) the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

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

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

We could be held liable for any accidents or injuries or other harm to students or other people at our school, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we are negligent in providing inadequate maintenance to our school facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our students or other people at our school. In addition, if any of our students or teachers commits acts of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Our school may be perceived to be unsafe, which may discourage prospective students from applying to or attending our school. Furthermore, although we maintain certain liability insurance, such insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We maintain limited insurance coverage.

We maintain various insurance policies for our school to safeguard against risks and unexpected events. However, our insurance coverage is still limited in terms of amount, coverage and benefit. Consequently, we are exposed to various risks associated with our business and operations. Please refer to the section headed "Business – Insurance" for more information. We are exposed to, among other risks, accidents or injuries in our school that are beyond the scope of our insurance coverage, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in the PRC is still at an early stage of development. Insurance companies in China offer limited business-related insurance products. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

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

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

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

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

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

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

We have adopted the Share Option Scheme in July 2020, under which we may issue options to purchase up to a total of 66,666,700 Shares to our Directors, senior management and employees for their contribution to our Group and to attract and retain key personnel. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have an adverse effect on our profits. Moreover, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we have granted or plan to grant may be adversely affect the market price of our Shares.

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

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not pay housing provident fund in full for the employees of our school as the payment basis of housing provident fund of such employees were not determined with reference to the actual salary level of such employees as prescribed by the applicable PRC laws and regulations. The aggregate amount of such unpaid housing provident fund contributions was approximately RMB270,000, RMB403,000, RMB646,000 and RMB990,000 as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively. As advised by our PRC Legal Advisors, pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), if we do not pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the payment outstanding within a stipulated period; if the payment is not made within the stipulated period, an application may be made to the PRC courts for compulsory enforcement. In addition, in 2019, we did not make full contributions to social insurance scheme for the employees of our school as the payment basis of social insurance contribution for such employees in 2019 were not determined with reference to the actual salary level as prescribed by the applicable PRC laws and regulations. As of August 31, 2019 and February 29, 2020, the aggregate amount of unpaid social insurance contribution was approximately RMB566,000 and RMB566,000, respectively. Please refer to the section headed "Business – Legal Proceedings and Compliance" in this prospectus for further details. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

We may not be able to secure additional future funding to fund our planned operations.

The operation of and, in particular, the establishment of a private higher education institution requires significant initial capital investment, including the costs of land for the school site, constructing school facilities, purchasing equipment and hiring qualified teaching and administrative staff. To support the operation of our school and to fund our future growth plans, including the expansion of our school network coverage in the PRC, with focus in North China, by acquiring existing higher education institutions or cooperating with other school sponsors, and expand and diversify our service offerings, we need to secure additional funding to fund our future capital expenditures. Historically, we have funded our operations primarily with cash generated from operations and proceeds from bank loans and other borrowings. We cannot assure you that we will be able to secure additional funding on the terms acceptable to us in a timely manner, or at all. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, venture capital funds, joint venture partners and other strategic investors. We may also consider raising funds through the issuance of new Shares, which would lead to the dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost or on acceptable terms, we may be forced to delay our expansion plans, or downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

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

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

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

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

Our business and reputation may be impacted by information technology system failures or network disruptions.

We may be subject to information technology system failures or network disruptions caused by computer viruses, natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our school website and internal online systems. These events could materially and adversely affect our reputation, financial condition and results of operations, or result in adverse publicity, claims or other legal proceedings against us.

RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

We, through the WFOE, entered into a series of arrangements to receive full economic benefits from our PRC Consolidated Affiliated Entities. Please refer to the section headed "Structured Contracts" in this prospectus for more information.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Negative List, higher education is restricted for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in such arrangement. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign cooperative education institution such as a university, should be less than 50%. According to the relevant regulations, only foreign education institutions having the relevant qualifications and experience will be allowed to invest in universities as foreign investors. As a company incorporated in the Cayman Islands, we are classified as a foreign enterprise under the relevant PRC laws. Please refer to the section headed "Regulatory Overview" of this prospectus for more information.

If any Structured Contracts that establish the structure for operating the business of our PRC Consolidated Affiliated Entities and enable us to control our PRC Consolidated Affiliated Entities are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

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

If any of the above penalties, conditions or restrictions are imposed on us, our ability to conduct our business in China may be materially and adversely affected. In addition, if as a result of the imposition of any of the above penalties, conditions or restrictions, we cease to have the rights to control our PRC Consolidated Affiliated Entities or to receive their economic benefits, we may not be able to consolidate such entities and our financial position, results of operations and prospects may be materially and adversely affected.

Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations.

The National People’s Congress promulgated the Foreign Investment Law on March 15, 2019, which took effect on January 1, 2020. Under the Foreign Investment Law, foreign investment is defined as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations (“Foreign Investor(s)”), and specifically stipulates four forms of investment activities which constitute foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the

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

Conducting operations through structured contracts has been adopted by many PRC-based companies, including us, to obtain and maintain required or necessary licences and permits in the industries that foreign investment is currently restricted or prohibited in China. While the Foreign Investment Law does not explicitly stipulate that structured contracts is a form of foreign investment, it is possible that structured contracts will be recognized as foreign investment under the limb of "investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council" or the State Council may prescribe new laws, administration regulations or provisions to provide for the same. Whether the Structured Contracts will be found or deemed to be in violation of the foreign investment access requirements and how the Structured Contracts will be handled in such scenarios are uncertain.

In the worst case scenario, we may be required to unwind the Structured Contracts and/or dispose of our PRC Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and results of operations. If, in the Stock Exchange's view, our Company no longer has a sustainable business after the aforementioned unwinding of the Structured Contracts or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in delisting of our Company. For details of the Foreign Investment Law and its potential impact on our Group, please refer to the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment" in this prospectus. Therefore, there are significant uncertainties in relation to the interpretation and implementation of the Foreign Investment Law and its impact to our Structured Contracts and our business, financial condition and results of operations.

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

We have relied and expect to continue to rely on the Structured Contracts to operate our education business in the PRC. For a description of these Structured Contracts, please refer to the section headed "Structured Contracts" in this prospectus. Relying on these Structured Contracts may not be as effective in providing us with control over our PRC Consolidated Affiliated Entities as compared to having equity ownership. If we had direct ownership of the school sponsor's interest and/or equity interest of our PRC Consolidated Affiliated Entities, we would be able to exercise our rights as a direct or indirect holder of the school sponsor's interest and/or equity interest of our PRC Consolidated Affiliated Entities to effect changes in the board of directors and council (理事會) (as the case may be) of such entities, which in turn could change the management. However, as these Structured Contracts stand now, if our PRC

Consolidated Affiliated Entities breach or fail to perform their respective obligations under these Structured Contracts, we cannot exercise the school sponsors' rights or shareholders' rights to direct such corporate action as the direct ownership would otherwise entail.

If the parties under such Structured Contracts refuse to act according to our directions, we will be unable to maintain effective control over the operations of our PRC Consolidated Affiliated Entities. If we were to lose effective control over our PRC Consolidated Affiliated Entities, certain negative consequences would result, in particular, we would be unable to consolidate the financial results of our PRC Consolidated Affiliated Entities with our financial results. Given that the revenue from our PRC Consolidated Affiliated Entities constituted substantially all of the total revenue in our consolidated financial statements for the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Consolidated Affiliated Entities. In addition, losing effective control over our PRC Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image, and may hinder our access to their cash flow from operations, and in turn our liquidity may be worsened.

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

Mr. Liu and Ms. Dong (the shareholders of Harbin Xiangge, which in turn is the school sponsor of Heilongjiang College) are the ultimate beneficial owners of our PRC Consolidated Affiliated Entities and their interests may differ from our Company's interest as a whole. They may potentially have conflicts of interest with us and breach their undertakings in the Structured Contracts if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand, and other parties to the relevant Structured Contracts on the other hand, Mr Liu and Ms. Dong will act in our best interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could cause disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. Our ability to enforce the Structured Contracts may also be hindered pending resolutions of such conflicts. In addition, if we are unable to resolve such conflicts, including if Mr. Liu and/or Ms. Dong breach their contracts or undertakings with us and as a result or otherwise we are subject to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

Our exercise of the option to acquire the school sponsor's interest in Heilongjiang College may be subject to certain limitations and we may incur substantial costs and expend substantial resources to enforce the Structured Contracts against Heilongjiang College.

Pursuant to the relevant PRC law and regulations, in particular, the Negative List, Implementing Rules for the Sino-Foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》) and the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of

Private Education, the foreign investor in a Sino-foreign joint venture private school offering higher education institution must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement"), holds less than 50% of the capital in the Sino-foreign joint venture private school ("Foreign Ownership Restriction") and the domestic party shall play a dominant role ("Foreign Control Restriction"). According to our consultation with the Education Department of Heilongjiang Province, there are no implementing measures or specific guidance on the Qualification Requirement and they will not allow any application for converting Heilongjiang College into a Sino-foreign joint venture private school. As of the Latest Practicable Date, we do not meet the Qualification Requirement as we have no experience in operating schools outside of the PRC. However, we have taken concrete steps for operating a degree-granting institution in Chicago, Illinois, the United States to comply with the Qualification Requirement. Please refer to the section headed "Structured Contracts – Background of the Structured Contracts – Plan to Comply with the Qualification Requirement" for further details.

We cannot assure you that we will meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may still be unable to unwind the Structured Contracts by acquiring the school sponsor's interests and/or equity interest in our school until we comply with the Qualification Requirement.

Furthermore, we may incur substantial cost on our part to exercise the option to acquire the equity interest in our PRC Consolidated Affiliated Entities. Pursuant to the Exclusive Call Option Agreement, the WFOE or its designated purchaser has the exclusive right to purchase all or part of the school sponsor's interest in Heilongjiang College at the lowest price permitted under the PRC laws and regulations. In the event that WFOE or its designated entity acquires the equity interest in our PRC Consolidated Affiliated Entities at a purchase price that is determined as below market value by the relevant PRC authorities, the WFOE or its designated entity may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

The PRC tax authorities have the power to audit or challenge arrangements and transactions among related parties under the applicable PRC laws and regulations. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreement we have with our PRC Consolidated Affiliated Entities, as related parties, does not represent a fair price subject to arm's length negotiations and adjust any of those entities' income in the form of a transfer pricing adjustment. Such adjustment could increase our tax liabilities. In addition, there is a risk that the PRC tax authorities may take the view that our subsidiaries or PRC Consolidated Affiliated Entities are dodging their tax obligations, and we may not be able to rectify this within the specified timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

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

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity interests, school sponsor's interests and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Consolidated Affiliated Entities. In addition, the Structured Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors that the above-mentioned provisions contained in the Structured Contracts may not be enforceable under the applicable PRC laws. Therefore, in the event that our PRC Consolidated Affiliated Entities or any of the shareholders of Harbin Xiangge breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Affiliated Entities and conduct our education business could be materially and adversely affected. Please refer to the section headed "Structured Contracts – Dispute Resolution" in this prospectus for details regarding the enforceability of the dispute resolution provisions in the Structured Contracts as opined by our PRC Legal Advisors.

We rely on dividend and other payments from the WFOE to pay dividends and other cash distributions to our Shareholders and our ability to distribute dividends may be limited under PRC laws and regulations.

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and satisfy other needs for cash depends primarily on dividends paid by the WFOE. The income of the WFOE in turn depends on the service fees paid by our PRC Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by our subsidiaries. Under the applicable requirements of PRC laws and regulations, (i) our subsidiaries in China may pay dividends to us only out of its retained earnings, if any, determined in accordance with Chinese accounting standards and regulations and the WFOE shall make up its losses of previous years when conducting outward remittance, and (ii) the WFOE is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

In addition, although our PRC Legal Advisors advise us that (i) the WFOE's right to receive the service fees from our PRC Consolidated Affiliated Entities does not contravene any existing PRC laws and regulations and (ii) the 2016 Decision will not affect the legality and effectiveness of these Structured Contracts, if relevant PRC government authorities take a different view to our PRC Legal Advisors, or the local government authorities change their policy in the future, or the State Administration of Taxation of the PRC and/or other PRC government authorities promulgate any new policies, they may have the right to confiscate any or all of the service fees that have been paid by our PRC Consolidated Affiliated Entities to the WFOE, even retrospectively, to the extent that such service fees are considered as operating profit from school operation in violation of PRC laws and regulations. As a result, our ability to pay dividends and other cash distributions to our Shareholders may be substantially limited.

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

The 2016 Decision and the Heilongjiang Implementing Opinions remain silent on the requirements of the development fund of the non-profit private schools or for-profit private schools. As advised by our PRC Legal Advisor, there remains substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operation of a private school. Therefore, we cannot assure you that any detailed rules and regulations to be promulgated by local governmental authorities would not impose restrictions on our ability to operate private schools or to make payments to the WFOE under the Structured Contracts, which may have a material adverse impact on our Group's business operations and prospects. Should we fail to comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, as well as our business, financial condition and results of operations.

In order to assess the potential impact of the 2016 Decision on our school operations, we have established and assigned the responsibility to Mr. Wang Yunfu, one of our executive Directors, to pay close attention to the developments of the relevant policies and regulations, including the 2016 Decision, the Heilongjiang Implementing Opinions and the MOJ Draft for Comments and the operations of our school. We will consult with our PRC Legal Advisors when further rules and regulations are promulgated regarding the potential impact on the operations of our school; and make announcements when appropriate.

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

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

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

- loans by us to the WFOE cannot exceed statutory limits and must be registered with the SAFE or its local counterparts; or
- loans by us to our PRC Consolidated Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and
- capital contribution to our Subsidiaries must be approved by and registered with the relevant government authorities.

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

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

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

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

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

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

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

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 4.5% in December 2019. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition.

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

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

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

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

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

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

On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行 政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. After a judicial interpretation has been promulgated by the Supreme People's Court and the relevant procedures have been completed by the Hong Kong Special Administrative Region, both sides shall announce a date on which the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgements under the 2019 Arrangement.

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

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing regulations, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organizational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The Enterprise Income Tax Law's implementation regulations define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise". The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "SAT Circular 82", on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed as having its de facto management body inside China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on July 27, 2011, effective September 1, 2011 and last amended on June 15, 2018, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As a majority of our asset is located in China and some members of our senior management team are based in China, it remains unclear as to how the tax residency rule will apply to our case. We do not believe that our Company or any of our Hong Kong or BVI subsidiaries, should be qualified as a "resident enterprise" as each of our offshore entities is a company incorporated under the laws of foreign countries or regions. In addition, as holding companies, each of these offshore entities' corporate documents, the board and shareholders' meetings, minutes and files of such meetings are located or kept outside of the PRC. Therefore, we believe that none of our offshore entities should be treated as a "resident enterprise" with its "de facto management bodies" located within China as defined by the relevant regulations for PRC enterprise income tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the Enterprise Income Tax Law and the Individual Income Tax Law of the PRC, shareholders of a PRC resident enterprise will be subject to a 10% for an enterprise or 20% for an individual withholding tax upon dividends received from the PRC resident enterprise and on gain recognized with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% for an enterprise or 20% for an individual withholding tax upon dividends received from us and on gain recognized with respect to the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and the jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our Shares.

The discontinuation of any favorable tax treatments currently available to us, in particular the tax exempt status of our school, could materially and adversely affect our results of operations.

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 favorable tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy favorable income tax treatment if the school sponsors of such schools do not require reasonable returns. Favorable tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities. To date, however, no separate regulations or policies have been promulgated in this regard. Our school has elected not to require reasonable returns and did not pay EIT in respect of income from rendering the formal education service during the Track Record Period. We have obtained confirmation from the local tax bureaus in Heilongjiang Province, which confirmed, among other things, that our school was not required to pay any PRC income tax and value-add tax during the Track Record Period in respect of the revenue generated from providing formal education services during such period. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such favorable tax treatment, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC income tax going forward. In addition, following the execution of the Structured Contracts, Liankang Consulting will be subject to an income tax rate of 25% and a value-added tax of 3% in China. The discontinuation of any favorable tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the favorable tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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

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

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$1.36 per Share (assuming an Offer Price of HK$2.35 per Offer Share, being the mid-point of our Offer Price range of HK$2.10 to HK$2.60 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

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

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 666,667,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. Please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses" for more information. However, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 25% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

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

Immediately after the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme), our Controlling Shareholders will own 75.0% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, we did not declare or distribute any dividends to our equity holders. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, please refer to the section headed "Financial Information – Dividends" in this prospectus.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including the expansion of our school network, the establishment of a dedicated teacher and staff training center and the repayment of short-term loans. Please refer to the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for more information. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT PRESENCE

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

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

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

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

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

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

CONTINUING CONNECTED TRANSACTIONS

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of information contained and representations made in this prospectus and the Application Forms, and on and subject to the terms and conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, members of senior management, authorized representatives, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, the application procedure for Hong Kong Offer Shares is set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date.

The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the Listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, including the Shares which may be sold pursuant to the exercise of the Over-allotment Option. No part of the Shares or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor(s) for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, dealing in or exercising any rights attached to the Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or exercising any rights attached to the Shares.

APPLICATION PROCEDURE FOR THE HONG KONG OFFER SHARES

The application procedure for Hong Kong Offer Shares is set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

OVER-ALLOTMENT AND STABILIZATION

Further details of the arrangements relating to stabilization and the Over-allotment Option are set out in the section headed "Structure of the Global Offering – The International Offering – Stabilization" and "Structure of the Global Offering – The International Offering – Over-allotment Option" in this prospectus. Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain Renminbi or U.S. dollar amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi or U.S. dollar amounts could actually be converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.9034 to HK$1.00 and the translation of U.S. dollars into Hong Kong dollars was made at the rate of US$1 to HK$7.7535.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail. If there is any inconsistency between the Chinese names of individuals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Liu Laixiang (劉來祥)	Unit 1-1802, No. 395 Youyi Road, Harbin City, Heilongjiang Province, PRC	Chinese
Dong Ling (董玲)	Unit 803, Block 16-1, Zhongxing Residence, No. 66 Aijian Road, Daoli District, Harbin City, Heilongjiang Province, PRC	Chinese
Wang Yunfu (王雲福)	Unit 9-3, Block 20-1, Yong'An Cheng Phase 3, Songbei District, Harbin City, Heilongjiang Province, PRC	Chinese
Che Wenge (車文閣)	No. 1, 6/F, Unit 2, Block 1A, Heilongjiang College of Business and Technology Teacher's Residence, Xueyuan Road South, Shidai Dajie West, Limin Development Zone, Harbin City, Heilongjiang Province, PRC	Chinese
Independent non-executive Directors		
Zhang Su (張甦)	Unit 1202, Block 18-1, Xin Long Cheng, No. 380 yard, Changping District, Beijing, PRC	Chinese
Cao Shaoshan (曹少山)	Flat D, 3/F, Seacliff Mansions Block D, 19 Repulse Bay Road, Repulse Bay, Hong Kong	Chinese
Chan Ngai Fan (陳毅奮)	Flat F, 32/F, Tower 10, 9 Long Yat Road, Grand Yoho, Yuen Long, New Territories, Hong Kong	Chinese

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
Sole Global Coordinator	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
Joint Bookrunners	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong **CMB International Capital Limited** 45/F Champion Tower 3 Garden Road Central Hong Kong
Joint Lead Managers	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong **CMB International Capital Limited** 45/F Champion Tower 3 Garden Road Central Hong Kong **Victory Securities Company Limited** 11/F, Yardley Commercial Building 3 Connaught Road West Hong Kong **CASH Financial Services Group Limited** 22/F Manhattan Place 23 Wang Tai Road Kowloon Bay Hong Kong

Goldbridge Securities Limited
Room 1002H, 10/F
Tower One, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong and U.S. law:
Luk & Partners
in Association with
Morgan, Lewis & Bockius
Suites 1902-09, 19/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

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

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

Legal advisors to the Sole Sponsor and the Underwriters

As to Hong Kong and U.S. law:
Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

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

Auditor and Reporting accountant	**Ernst & Young** Certified Public Accountant 22/F., CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road, Shanghai PRC
Property valuer	**Cushman & Wakefield Limited** 16/F, Jardine House 1 Connaught Place Central Hong Kong
Receiving bank	**CMB Wing Lung Bank Limited** CMB Wing Lung Bank Building 45 Des Voeux Road Central Central Hong Kong
Compliance adviser	**Maxa Capital Limited** Unit 1908, Harbour Center 25 Harbour Road Wanchai Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in PRC	Qunying Jie No. 33, Xueyuan Road Limin Development Zone Harbin City Heilongjiang Province PRC
Principal place of business in Hong Kong	Unit 26, 14/F, Solo Building 41-43 Carnarvon Road Tsimshatsui, Kowloon Hong Kong
Company's website	**http://www.leader-education.cn/** (*information contained in this website does not form part of the prospectus*)
Company secretary	Mr. Chang Eric Jackson (HKICPA) 15/F, Flat 4, Block B Villa Rocha 10 Broadwood Road Happy Valley Hong Kong
Authorised representatives	Mr. Liu Laixiang Unit 1-1802, No. 395 Youyi Road, Harbin City Heilongjiang Province PRC Mr. Chang Eric Jackson (HKICPA) 15/F, Flat 4, Block B Villa Rocha 10 Broadwood Road Happy Valley Hong Kong
Audit committee	Mr. Chan Ngai Fan *(Chairman)* Mr. Zhang Su Mr. Cao Shaoshan

Remuneration committee	Mr. Zhang Su *(Chairman)* Mr. Liu Laixiang Mr. Cao Shaoshan
Nomination committee	Mr. Liu Laixiang *(Chairman)* Mr. Zhang Su Mr. Cao Shaoshan
Principal Banks	**Industrial and Commercial Bank of China Limited (Harbin City, Jingyu Branch)** No. 41, Bei Shi Liu Dao Jie Daowai District Harbin City Heilongjiang Province PRC **Harbin Bank Co., Ltd. (Songbei Branch)** No. 500, Shimao Da Dao Songbei District Harbin City Heilongjiang Province PRC
Cayman Islands share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

The information that appears in this Industry Overview contains information and statistics on the PRC economy and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan (the "Frost & Sullivan Report"), an Independent Third Party which we commissioned. We believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information set out in this Industry Overview has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering (other than Frost & Sullivan) and no representation is given as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the education market in China, the private higher education market in China, the private higher education market in Heilongjiang Province, the PRC, and other related economic data.

During the preparation of the market research report, Frost & Sullivan performed both primary research which involves discussing the status of the industry with leading industry participants and industry experts, and secondary research which involves review of reports of companies, independent research reports and data from Frost & Sullivan's own research database. Frost & Sullivan's market research report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period from 2019 to 2023; (iii) market drivers, such as the attention on children's education of Chinese households, the support from the PRC central and local governments, improved investment in private education of the Chinese society and an increase in household income and personal wealth, are likely to drive the growth of Chinese private higher education market over the forecast period from 2019 to 2023; and (iv) the targets of expanding enrolment of higher education set by the PRC government are expected to be achieved over the forecast period from 2019 to 2023. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry drivers by Frost & Sullivan.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies, and provides growth consulting and corporate training. It has 45 offices worldwide with experienced industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB420,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

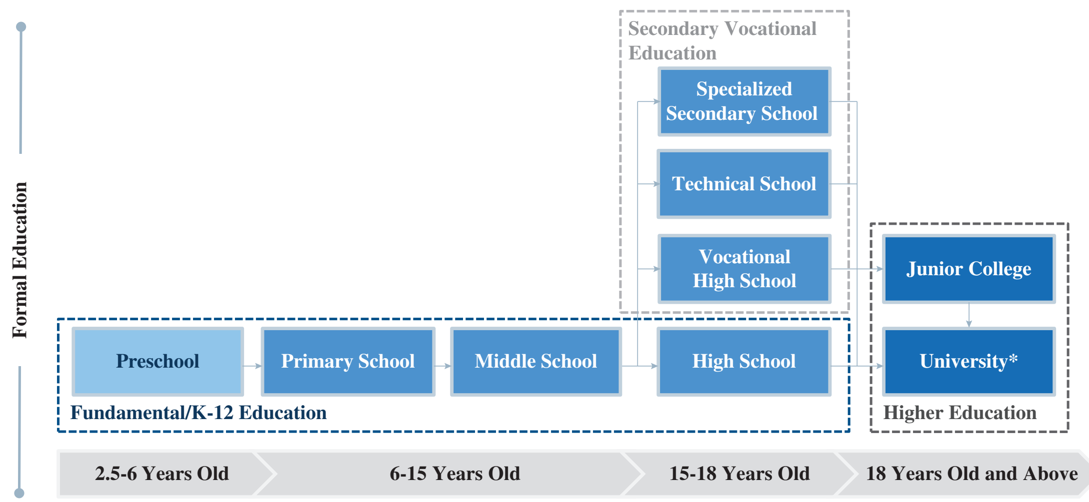
All statistics are reliable and are based on information available as of the date of the Frost & Sullivan Report. Other sources of information, including government, industry associations or market participants, have provided some of the information on which the analysis or data is based. All the information about our Company is obtained from our Company's management interview. The information of our Company has not been independently verified by Frost & Sullivan.

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

OVERVIEW OF THE EDUCATION INDUSTRY IN CHINA

Generally, China's education system can be categorized into formal and non-formal education. Formal education is composed of fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be provided by either junior college or university. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the non-formal education system merely enables students to obtain completion certificates for the training and learning courses they have taken, which may not be officially recognized by the PRC government. The higher education academic certificates recognized by the PRC government that can be awarded by junior colleges and universities include (i) junior college diplomas, which are qualifications awarded to students of junior college programs who have good moral characters and, upon the completion of the required courses within the specified length of schooling, have passed the relevant exams or obtained the required academic credits; (ii) bachelor's degrees, which are qualifications awarded to graduates of bachelor's degree programs or junior college to bachelor's degree transfer programs who have good understanding of the basic theories, skills and expertise of their majors and possess the preliminary ability to engage in scientific research or undertake specialized technical work; (iii) master's degrees, which are qualifications awarded to students of master's degree programs who passed the required examinations and thesis defense, have solid understanding of basic theories and systematic expertise of their majors and possess the ability to engage in scientific research or independently undertake specialized technical work; and (iv) doctorate degrees, which are qualifications awarded to students of doctorate programs who passed the required examinations and thesis defense, have solid and extensive understanding of basic theories and systematic and in-depth expertise of their majors, are capable of independently conducting scientific research, and have creative achievements in their specialized areas of study. The following diagram illustrates China's formal education system.

Illustration of China's Formal Education System



Source: Frost & Sullivan

Note: University includes both regular university and independent college.

Market Size and Trends of the Formal Education Industry in China

The PRC formal education industry has exhibited strong growth over the past five years, which was mainly driven by rising government public expenditure and private consumption. According to the MOE, the total revenue of formal education industry in China increased from RMB3,280.6 billion in 2014 to RMB4,614.3 billion in 2018, representing a CAGR of 8.9%. It is expected to continue to increase at a CAGR of 9.2% for the forecast period from 2018 to 2023.

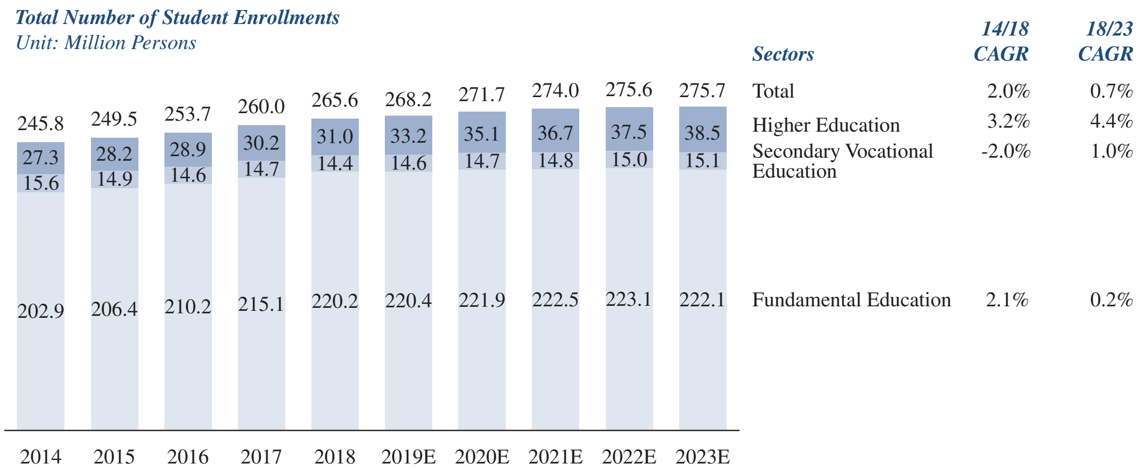
For the year ended December 31, 2018, total public expenditure on education, which was generally referred to as government investment in education, was approximately RMB3,699.6 billion, which accounted for approximately 80.2% of the total revenue generated by the PRC formal education industry. While the PRC government has continued to increase its budget on education, compared with certain developed countries, China still lagged behind as of December 31, 2018 in terms of public expenditure on education as percentage of nominal GDP. For example, China's total public expenditure on education in 2018 represented approximately 4.1% of China's overall nominal GDP for the year, which was less than that of the United States (5.0%), France (5.5%) and the United Kingdom (5.5%), according to the Frost & Sullivan Report. Going forward, the PRC government is expected to further increase its investment in education.

In addition to the increasing public expenditure on education, the per capita annual expenditure on education in China grew from RMB624 in 2014 to RMB899 in 2018, representing a CAGR of 9.4%, which was correlated to the increasing annual disposable income in China. Per capita annual expenditure of Chinese households on education accounted for 4.5% of the per capita annual expenditure in China in 2018, which was higher than that of certain developed countries, such as the United States, the United Kingdom and Japan. Looking forward, with the improvement of living standard and the increasing awareness of the importance of education which is followed by Chinese families' willingness to spend more on education, per capita annual expenditure of households on education is likely to reach RMB1,363 by 2023 with a CAGR of 8.7% from 2018 to 2023, according to the Frost & Sullivan Report.

Student Enrollment in the Formal Education Industry in China

According to the Frost & Sullivan Report, from 2014 to 2018, the number of student enrollment in the formal education in China has increased from 245.8 million to 265.6 million, representing a CAGR of 2.0%. Student enrollment in fundamental education which accounts for the majority of the total student enrollment in formal education increased from 202.9 million in 2014 to 220.2 million in 2018, representing a CAGR of 2.1%. While student enrollment demonstrated a downward trend for secondary vocational education, the number of students enrolled in higher education increased from 27.3 million in 2014 to 31.0 million in 2018, representing a CAGR of approximately 3.2%. The student enrollment of higher education is expected to increase from 2018 to 2023 mainly due to the implementation of government policies that promote the expansion of higher education since 2019. The student enrollments of fundamental education is expected to slow down from 2018 to 2023 due to a decreasing student enrollments in kindergartens, while student enrollments of secondary vocational education are expected to grow at a relatively higher CAGR of 1.0%, mainly driven by the increase in student enrollments of technician schools, according to the Frost & Sullivan Report. The diagram below sets forth the number of student enrollment in formal education in China from 2014 to 2018, as well as a forecast of student enrollment expected from 2019 to 2023.

Total Number of Student Enrollments in Formal Education (China), 2014 – 2023E



Source: Frost & Sullivan

Development Trends of Chinese Education Industry

The development trends of the PRC education industry are as follows:

- **Income growth is likely to drive premium education spending:** The increase of annual disposable income and the rise of middle class families is likely to motivate the spending on premium education as parents are more inclined to send their children to schools with premium education resources.

- **Encouragement on private capital:** Due to the unbalance of economic and social development as well as insufficient investment in education sector, educational resources are often distributed unequally. The PRC central government is likely to welcome more private capital in the educational system to achieve more efficiency. Large-scale private education groups are likely to be favored.

- **Exam-oriented education to comprehensive quality-oriented education:** Traditional public education system in China has been emphasizing the importance of examination scores while paying less attention to other aspects of education, such as students' social skills and psychological and physical health. Currently, many parents have realized the defects of such education and started to favor premium private schools that are able to offer more comprehensive quality-oriented education. We expect more diversified courses to be introduced in the market in the near future.

- **Increasing number of higher education institutions focusing on application-oriented education:** In order to better match talent cultivation and market demand, the PRC government implemented policies to support the development of application-oriented undergraduate education in China, as well as to establish a classification and evaluation system for China's regular universities by 2020. It is expected that there will be an increasing number of private higher education institutions in China focusing on application-oriented education in the future.

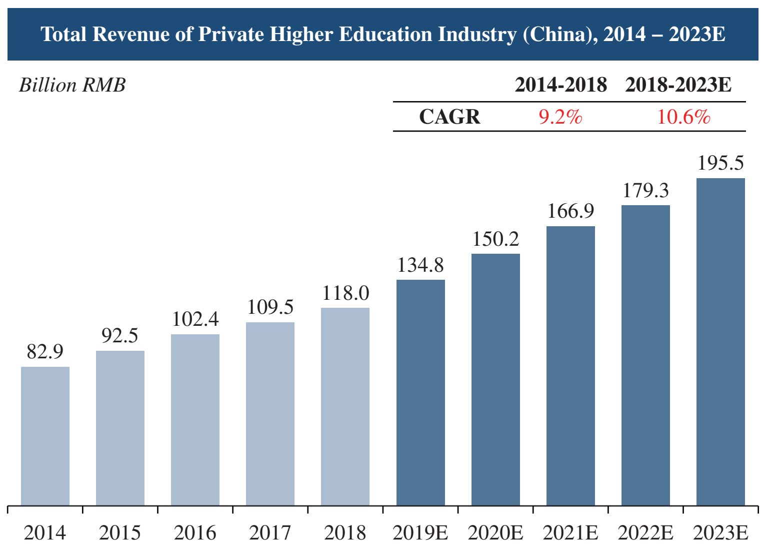
OVERVIEW OF PRIVATE HIGHER EDUCATION MARKET IN CHINA

The private higher education industry in China has experienced rapid growth since the beginning of 1990s as it entered the phase of regulated development when the relevant government authorities made great effort in completing the regulative framework for private higher education, according to the Frost & Sullivan Report. Private higher education institutions in China can be divided into three categories, namely, private regular universities/colleges (民辦普通本科院校), independent colleges (獨立學院) and private junior colleges (民辦普通專科院校). According to the Frost & Sullivan Report, private regular university/colleges are higher education institutions that are run by non-governmental institution(s) or individual(s) and offer undergraduate level education programs. Independent colleges are undergraduate level private higher education institutions that are operated by non-governmental institution(s) or individual(s) in cooperation with public universities or colleges. In addition, private junior colleges are higher education institutions which are run by non-governmental institution(s) or individual(s) and offer junior college diploma education programs. Private higher education institutions are distinct from public institutions of higher education mainly because public institutions of higher education are under the direct administration of the PRC national or local governments and their major source of funding is the public expenditure on education.

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

According to the Ministry of Education of the PRC, China's total revenue of higher education industry increased from RMB851.0 billion in 2014 to RMB1,201.3 billion in 2018, representing a CAGR of 9.0%. The total revenue of the higher education industry in China is expected to increase to RMB2,114.2 billion in 2023, representing a CAGR of 12.0% from 2018 to 2023.

In addition, according to the Frost & Sullivan Report, total revenue of private higher education industry increased from RMB82.9 billion in 2014 to RMB118.0 billion in 2018, representing a CAGR of 9.2%. In 2018, total revenue of private higher education industry accounted for approximately 9.8% of total revenue of higher education industry in China. From 2018 to 2023, total revenue of private higher education industry is expected to increase from RMB118.0 billion to RMB195.5 billion, representing a CAGR of 10.6%. The following diagram illustrates the total revenue generated by the PRC private higher education industry from 2014 to 2018, and the forecast of revenue from 2019 to 2023.

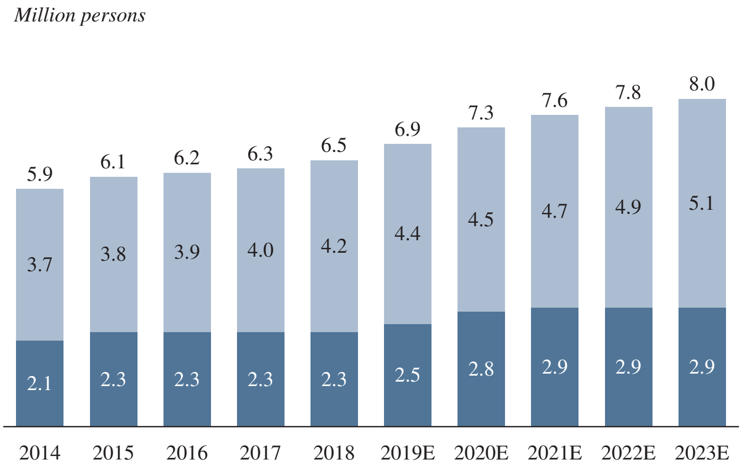


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in China

According to the Frost & Sullivan Report, from 2014 to 2018, the total number of student enrollment in private higher education in China increased from 5.9 million to 6.5 million, representing a CAGR of approximately 2.5%. The number is expected to increase to 8.0 million in 2023. The total number of students enrolled in private higher education in 2018 accounted for approximately 21.0% of the total number of students enrolled in higher education. Students enrolled in undergraduate and graduate programs accounted for the largest portion of the number of student enrolled in private higher education in China. From 2014 to 2018, the number of student enrollment in undergraduate and graduate programs increased from 3.7 million to 4.2 million, representing a CAGR of approximately 3.2%. In 2023, this number is expected to increase to 5.1 million. From 2014 to 2018, the number of student enrollment in junior college program increased from 2.1 million to 2.3 million, representing a CAGR of approximately 2.3%. The number is expected to quickly increase to 2.8 million in 2020 and remain stable at 2.9 million thereafter during the forecast period. The following diagram illustrates the total student enrollment in the PRC private higher education industry from 2014 to 2018, as well as a forecast of student enrollment from 2019 to 2023.

Total Number of Student Enrollments in Private Higher Education (China), 2014 – 2023E



Sectors	*14/18 CAGR*	*18/23 CAGR*
Total	2.5%	4.2%
Graduate and Undergraduate Program	3.2%	4.0%
Junior College Program	2.3%	4.7%

Note: Due to rounding, numbers presented above may not add up precisely to the totals.

Source: Frost & Sullivan

According to the Frost & Sullivan Report, the penetration rate of private higher education in China decreased slightly from 21.6% in 2014 to 21.0% in 2018 and is expected to remain at a relatively stable level from 2018 to 2023.

Tuition Fees of the Private Higher Education Industry in China

According to the Frost & Sullivan Report, China's average tuition fee for private higher education per school year increased from RMB10,983 in 2014 to RMB13,530 in 2018, which were correlated to the growing economy and an increase in per capita GDP. China's average tuition fee for private higher education as a percentage of per capita GDP was approximately 20.9% in 2018. As China's economy continues to develop and per capita GDP continues to increase, China's average tuition fees for private higher education is expected to grow. In addition, driven by the increase in costs and improvements of quality of private higher education, the average annual tuition fee of private higher education in China is predicted to rise at a CAGR of 4.8% from 2018 to 2023, reaching RMB17,095 in 2023. According to the Frost & Sullivan Report, average annual tuition fee for private higher education institutions in 2018 was generally much higher than that of public higher education institutions for the same year.

Market Drivers of Private Higher Education in China

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

- **Increasing wealth and demand for higher education:** With people's increasing income and improved living conditions, they are paying more attention to education. Nevertheless, the development of public education is likely to maintain at a relatively stable pace, and private higher education is expected to gain ground by taking advantage of the gap between the rapidly increasing demand for higher education and the relatively limited public higher education resources;

- **Growing market demand for technical talents:** Leveraging on continued strong economic development, the demand for more technical talents in different industries has been increasing. The lack of skilled and well-trained first-line operative workers is expected to drive the growing demand for private higher education, which is likely to focus more on professional education;

- **Increasing diversification and improved education quality:** Benefiting from government policy support and private education groups' increasing capabilities in resource integration, the education quality of private higher education continues to improve. Meanwhile, private education that focuses on professional training are diversifying their programs and course offerings and increasing the level of specialization. Such developments are expected to attract more students to consider private higher education and drive the growth of the market on a long-term basis; and

- **Government support:** The PRC government has promulgated a number of policies and regulations to promote the development of private higher education, such as the Notification of Enhancing the Management and Conducting the Development of Non-governmental Colleges and Universities by General Office of the State Council (國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知) and Non-governmental Education Promotion Law of the PRC (中華人民共和國民辦教育促進法). These policies and regulations are expected to accelerate the growth of the private higher education industry.

Main Threats

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

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

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

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

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

Entry Barriers Analysis of the Private Higher Education Industry in China

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

- **Government approval:** In China, the establishment of private colleges and universities must first be approved by the relevant governmental authorities, which set the rules for entry requirements of private higher education, including the thresholds of registered capital, total assets, available state-owned land use certificate, total value of teaching instruments and equipment, the number of books in the library, courses to be offered, the number of student enrollment and teaching staff qualifications, among others. Due to complicated approval procedures, lengthy application process and high level of uncertainty, obtaining government approvals, licenses and permits in the PRC becomes a natural barrier for new entrants.

- **Brand awareness and availability of students:** Brand awareness is especially essential for private colleges and universities, because it is always one of the top criteria for students and parents when they choose schools for enrollment. Students and their parents are generally inclined to choose prominent schools with long operating history and well-established reputation. However, it needs time and years of experiences to establish brand awareness and reputation for new entrants in the market. Accordingly, new entrants will initially encounter difficulties enrolling a sufficient number of students.

- **Sufficient initial capital and durative investment:** The establishment of a new school requires large capital investment for the construction of teaching facilities and continued investment to support school operation and expansion. New entrants must have sufficient capital and be able to afford the continued investment.

- **Qualified teachers:** China's higher education, which carries the responsibility of cultivating talents, has started a structural adjustment to better equip higher education graduates with the knowledge and practical skills demanded by employers. As a result, teachers with practical industry experience and know-how are in great demand. For new entrants who are not able to access such resources, their teaching schemes could face challenges in catching up with the evolving market trends.

- **Land resources and school facilities:** To support the teaching and extracurricular activities, schools need sufficient amount of land to construct relevant teaching facilities. The land occupied by higher education institutions is usually granted by the local governments or obtained by leases. With the tightening supply of available land resources and rising rental cost, new entrants face difficulty obtaining adequate land for their operations.

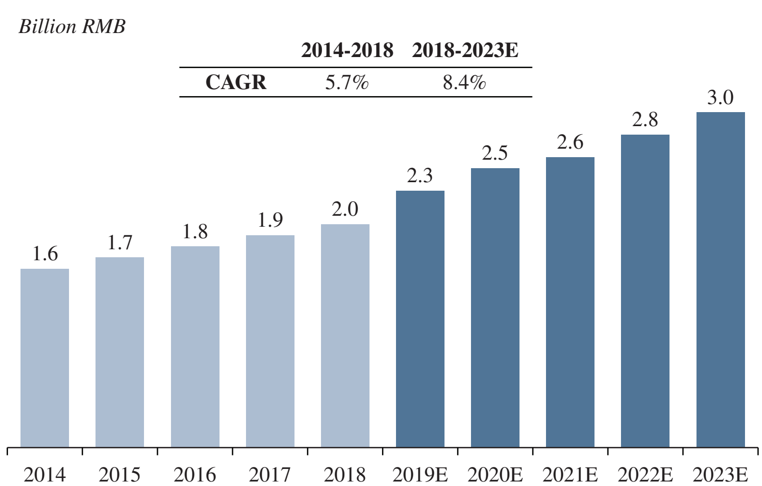
- **Operation and management experience:** In light of the intense market competition, school operation and management experience serve as a key entry barrier for new entrants. The operation of higher educational institutions involves the management of a large number of personnel with differentiating roles, which foster a highly complex system that will be challenging to new entrants.

OVERVIEW OF PRIVATE HIGHER EDUCATION MARKET IN HEILONGJIANG PROVINCE

Market Size and Trends of the Private Higher Education Industry in Heilongjiang Province

According to the Frost & Sullivan Report, the total revenue of private higher education industry in Heilongjiang Province increased from RMB1.6 billion in 2014 to RMB2.0 billion in 2018, representing a CAGR of 5.7%, which was mainly driven by rising tuition fees. The total revenue is expected to reach RMB3.0 billion in 2023 with a CAGR of 8.4% for the period from 2018 to 2023. As of June 2019, the total number of private higher education institutions in China reached 756, which were unevenly distributed among different provinces. Heilongjiang Province had 18 private higher education institutions, which ranked 20th among all PRC provinces, municipalities and autonomous regions in terms of the number of private higher education institutions. The diagram below sets forth the total revenue of private higher education in Heilongjiang Province each year from 2014 to 2018, as well as the forecast of total revenue from 2019 to 2023.

Total Revenue of Private Higher Education Industry (Heilongjiang Province) 2014 – 2023E

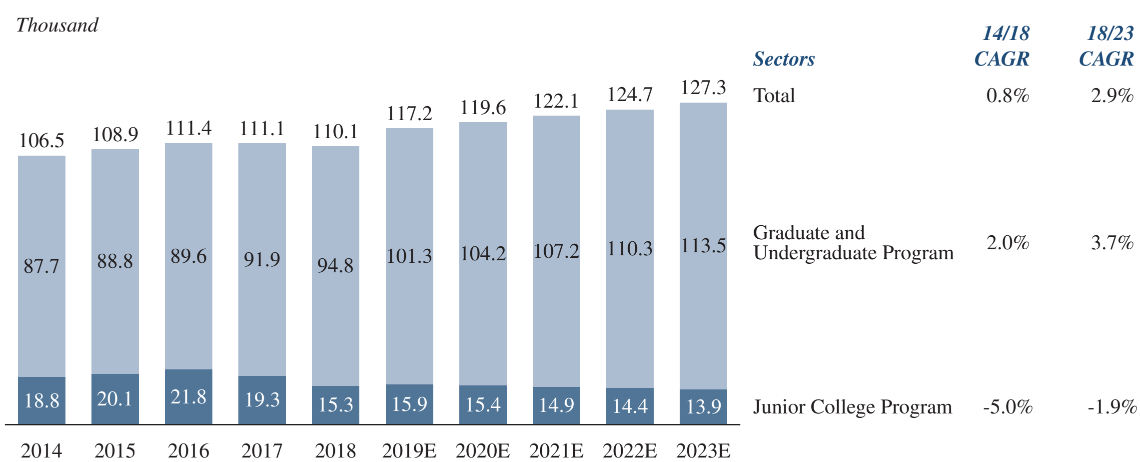


Source: Frost & Sullivan

Student Enrollment in the Private Higher Education Industry in Heilongjiang Province

According to the Frost & Sullivan Report, the number of student enrollment in private higher education in Heilongjiang Province increased from 106,500 in 2014 to 111,400 in 2016. The total number of student enrollment decreased to 111,100 in 2017 and further to 110,100 in 2018 mainly as a result of the decreasing student enrollment of junior college programs, which resulted in a CAGR of 0.8% for the period from 2014 to 2018. The number of student enrollment is expected to increase from approximately 110,100 in 2018 to approximately 127,300 in 2023. The number of students enrolled in undergraduate and graduate programs occupied the larger proportion of the total student enrollment in private higher education in Heilongjiang Province. It recorded an increase from 87,700 in 2014 to 94,800 in 2018 and is expected to further increase to 113,500 in 2023. The following diagram illustrates the total number of student enrollment in private higher education in Heilongjiang Province from 2014 to 2018, as well as a forecast from 2019 to 2023.

Total Number of Student Enrollments in the Private Higher Education (Heilongjiang Province), 2014 – 2023E



Source: Frost & Sullivan

Penetration Rate and Average Annual Tuition Fees of Private Higher Education in Heilongjiang Province

According to the Frost & Sullivan Report, the penetration rate of private higher education in Heilongjiang Province, which is measured by the percentage of the total student enrollment of private higher education over the total student enrollment of overall higher education, slightly increased from 13.5% in 2014 to 13.6% in 2018, compared to a penetration rate of 21.0% of higher education in China for the same year, and is expected to remain relatively stable from 2019 to 2023. The average annual tuition fees of private higher education in Heilongjiang Province increased from RMB11,500 in 2014 to RMB14,200 in 2018, representing a CAGR of 5.4% for the same period, and is expected to continue to reach RMB18,700 in 2023.

Average Annual Salary of Full-time Teachers in Private Higher Education Market in Heilongjiang Province

As the quality of teachers has become an increasingly important factor in ensuring the quality of teaching, the average annual salary of full-time teachers of private higher education institutions in Heilongjiang Province increased from RMB35,600 in 2014 to RMB43,600 in 2018, representing a CAGR of 5.2% for the same period, and is expected to increase to RMB60,100 in 2023, which represents a CAGR of 6.6% from 2018 to 2023, according to the Frost & Sullivan Report.

Market Drivers of Private Higher Education in Heilongjiang Province

The development of private higher education in Heilongjiang Province is primarily driven by the following factors:

- **Increasing student enrollments in undergraduate programs:** The student enrollments of junior college programs provided by private higher education institutions in Heilongjiang Province rapidly decreased from 2016 to 2018, while the student enrollments of undergraduate programs in the province increased for the same period, which partially offset the decrease in student enrollments in junior college programs. This trend is expected to continue from 2019 to 2023, and the growth of student enrollments of undergraduate programs will be the main driving force for the growth of student enrollment in private higher education in Heilongjiang Province.

- **Deregulation of tuition and boarding fees:** According to the Notice of the Bureau of Administration for Commodity Price Regulation of Heilongjiang Province to Remove the Restrictions on Prices of a Group of Commodities and Services (《黑龍江省物價監督管理局關於放開一批商品和服務價格等有關事項的通知》) published in 2017, the restrictions on tuition and boarding fees placed on private higher education institutions were removed, and sponsors of private higher education institutions are permitted to determine, at their own discretion, the tuition fee and boarding fee rates based on factors such as operating costs and overall market demand and supply. Private higher education institutions with competitive education quality are expected to possess higher flexibility in raising their tuition and boarding fees, which will drive the growth in the total revenue of the private higher education industry in Heilongjiang Province.

- **Strong demand for talents with employment-oriented higher education background:** Heilongjiang Province is an industrial, energy and agricultural base in China, and is an intersection area connecting China to Russia, Central Asia and the rest of East Asia. According to the Catalogue of Talents Urgently Needed and Talents in Short Supply in Key Industries for Heilongjiang Province (2017-2018) (《黑龍江省重點產業(行業)急需緊缺人才目錄(2017-2018年)》) promulgated by Heilongjiang Human Resources and Social Security Bureau, there exists a shortage of trained professionals with higher education background in 11 key industries, including equipment manufacturing industry and information technology industry, among others. As the construction and operation of multiple railway and subway projects that were underway in Heilongjiang Province in recent years, high-quality graduates with higher education background in the field are in substantial demand and a railway-and transportation-focused education and training program opens access to a wealth of employment opportunities for the students. Along with the further development and upgrading of the industries in the province, the area is hungry for professional talents with employment-oriented education background and practical skills, who can be candidates that are able to meet the employers' demands and requirements for their employees.

Competitive Landscape of Private Higher Education Market in Heilongjiang Province

According to the Frost & Sullivan Report, private higher education market in Heilongjiang Province is relatively concentrated as there were a total of 18 private higher education institutions in 2018. The top five private higher education institutions occupied an aggregate market share of 47.1% in the 2018/2019 school year in terms of full-time student enrollment. In the same school year, Heilongjiang College ranked eighth in terms of full-time student enrollment among all private higher education institutions in Heilongjiang Province, with a total number of student enrollment of approximately 8,300, which contributed a market share of approximately 7.5% in the 2018/2019 school year in terms of student enrollments. From the 2016/2017 school year to the 2018/2019 school year, Heilongjiang College was the fastest growing private higher education institution in Heilongjiang Province that offers undergraduate programs in terms of the CAGR of student enrollment. The following diagram sets forth the leading private higher education institutions in terms of student enrollment in Heilongjiang Province during the 2018/2019 school year.

Leading Private Higher Education Institutions in Terms of Full-time Student Enrollment (Heilongjiang Province), 2018/2019 School Year

Ranking	Private Higher Education Institution	Full-time Student Enrollments
		(thousand)
1	School A	11.9
2	School B	11.7
3	School C	9.7
4	School D	9.5
5	School E	9.1
6	School F	8.9
7	School G	8.9
8	**Heilongjiang College of Business and Technology 黑龍江工商學院**	**8.3**

Source: Frost & Sullivan

In terms of initial employment rate of graduates of the undergraduate programs, Heilongjiang College ranked fourth in the 2017/2018 school year among all private higher education institutions in Heilongjiang Province, with the initial employment rate of graduates of undergraduate programs of approximately 80.2%, whereas the average initial employment rate of private higher education institutions in Heilongjiang Province was 79.1%.

With respect to the aggregate gross floor area of school campuses, Heilongjiang College is the third largest private higher education institution in Heilongjiang with approximately 310,678.63 sq.m. as of August 31, 2019, which includes 169,818.33 sq.m. of gross floor area of Songbei Campus and the completed first phase construction of Hanan Campus with a gross floor area of approximately 138,876.3 sq.m.

In terms of admission scores of private higher education institutions for students in science-related concentrations, Heilongjiang College ranked fifth in the 2019/2020 school year among all private higher education institutions in Heilongjiang Province with admission score of 347. In addition, in terms of admission score of private higher education institutions for students in art-related concentrations, it ranked seventh in the same school year among all private higher education institutions in Heilongjiang Province, with admission score of 370.

LAWS AND REGULATIONS RELATING TO THE INDUSTRY

Foreign Investment in Education in the PRC

Regulations on Foreign Investment

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》, the "Wholly Foreign-owned Enterprise Law"), which was promulgated on April 12, 1986, first amended and became effective on October 31, 2000, and last amended on September 3, 2016 and became effective on October 1, 2016. Pursuant to the Wholly Foreign-owned Enterprise Law, the establishment of wholly foreign-owned enterprises to which special entry management measures prescribed by the state do not apply, the establishment, breakup, merger, or any other major change and the operation period of such enterprises are subject to record-filing obligation.

The Implementing Rules of the PRC on Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》, the "Implementing Rules on Wholly Foreign-owned Enterprises") was promulgated on December 12, 1990 and newly amended on February 19, 2014, which took effect from March 1, 2014. Pursuant to the Implementing Rules on Wholly Foreign-owned Enterprises, industries in which the establishment of wholly foreign-owned enterprises is prohibited or restricted shall be regulated in accordance with the provisions of the state guidance about foreign investment orientation and the guiding catalogue of industries for foreign investment.

Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by MOFCOM on October 8, 2016 and newly amended on June 29, 2018, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities. On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for the Reporting of Foreign Investment Information(《外商投資信息報告辦法》), which took effect from January 1, 2020, and the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises(《外商投資企業設立及變更備案管理暫行辦法》) shall be repealed simultaneously. According to the Measures for the Reporting of Foreign Investment Information, foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities through the online enterprise registration system and the National Enterprise Credit Information Publicity System, and foreign-invested enterprises shall submit their annual reports for the previous year through the National Enterprise Credit Information Publicity System annually.

On March 15, 2019, the Foreign Investment Law was formally passed by the NPC and took effect on January 1, 2020. The Foreign Investment Law is the fundamental law for foreign investment in the PRC, which has replaced the Law on Sino-Foreign Equity joint ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law as the general law applicable for foreign investment within the PRC.

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

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

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

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

The Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》, the "Regulation for Implementing the Foreign Investment Law") was adopted on December 12, 2019 and came into force on January 1, 2020 and the Implementing Rules on Wholly Foreign-owned Enterprises was simultaneously repealed. Pursuant to the Regulation for Implementing the Foreign Investment Law, governments and their appropriate departments shall, in accordance with the law, equally treat foreign-funded enterprises and wholly Chinese-funded enterprises in such aspects as government funding arrangements, land supply, tax and fee reduction and exemption, qualification licensing, development of standards, project applications and human resource policies.

The Regulation for Implementing the Foreign Investment Law also provides that foreign investors may not invest in a field where their investment is prohibited as specified in the Negative List (as defined below). To invest in a field where their investment is restricted as specified in the Negative List, foreign investors shall comply with the special administrative measures for restrictive access such as requirements for shareholding ratios and senior executives as specified in the Negative List.

For discrepancies between any provisions on foreign investment developed before January 1, 2020, and the Foreign Investment Law and the Regulation for Implementing the Foreign Investment Law, the provisions of the Foreign Investment Law and the Regulation for Implementing the Foreign Investment Law, shall prevail.

Special Administrative Measures for Access of Foreign Investment (Negative List 2020)

On June 23, 2020, the NDRC and the MOFCOM promulgated the Negative List 2020, which became effective on July 23, 2020.

Pursuant to the Negative List 2020, the industry in which we operate our business, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party and the domestic party shall play a dominant role in the cooperation, which means the principal or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Regulations on Sino-Foreign Cooperation in operating school

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

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

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institute shall be less than 50%.

Regulations on Private Education in the PRC

Education Law of the PRC

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

1, 2016. The NPC Standing Committee narrowed the provision prohibiting the establishment or operation of schools or other educational institutions for profit to only restrict schools or other educational institution founded with governmental funds or donated assets under the amended Education Law.

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

Regulations on Higher Education

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated on August 29, 1998, then amended on December 27, 2015 and became effective on June 1, 2016 and last amended on December 29, 2018 and became effective on the same day, higher education includes education for academic qualifications and education for non-academic qualifications. Higher education institutions are universities, independent colleges, and specialized higher education schools, including higher vocational schools and higher education schools for adults.

The establishment of higher education institutions for regular course education and above shall be subject to examination and approval by the administrative department for education under the State Council. The ones for special course education shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities directly under the PRC central government. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people's government of provinces, autonomous regions and municipalities directly under the PRC central government. Higher education for academic qualifications includes special course education, regular course education and graduate course education. Higher education shall be conducted by higher education institutions and other higher education organizations. Higher education institutions shall be established in accordance with the State's plans for the development of higher education and in alignment with the interests of the State and the public. Universities and independent colleges shall mainly conduct regular course education and education at a higher level. Specialized higher education schools shall conduct special course education. With the approval of the administrative department for education under the State Council, research institutes may offer graduate program. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities and independent colleges shall, in addition, have a better strength for teaching and research, a higher level of teaching and research quality, as well as a corresponding scale, in order that they can offer regular course education and education at a higher level. Moreover, universities shall offer at least three categories of subjects designated by the State as the main courses.

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

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

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

According to the Implementation Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), at the end of each fiscal year, the private school is required to allot a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. This amount shall be no less than 25% of the annual net income of the school (where the school sponsor demands reasonable returns) or no less than 25% of the annual increase in the net assets of the school (where the school sponsor demands no reasonable returns).

Reasonable Return and Development Fund

Under the above regulations, a private school may elect to be a school that its school sponsors do not require reasonable returns or a school that its school sponsors require reasonable returns. The school sponsor of Heilongjiang College has elected not to require reasonable returns.

A private school that its school sponsors do not require reasonable returns cannot distribute profit to its school sponsors. For a private school that its school sponsors require reasonable returns, it may distribute reasonable returns to its school sponsors after deducting school operation costs, reserves for the development fund (as further described in the paragraph below) and provision for certain costs in accordance with the PRC laws and regulations, and it shall consider factors such as the school's tuition, the ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the school sponsors as reasonable returns. However, the current PRC laws and regulations do not provide a formula or guidelines for determining what constitutes a "reasonable return." In addition, the current PRC laws and regulations do not set forth different requirements or restrictions on a private school's ability to operate its education business based on such school's status as a school that its school sponsors require reasonable returns or a school that its school sponsors do not require reasonable returns.

At the end of each year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. For a private school that its school sponsors require reasonable returns, this amount is at least 25% of the annual net income of the school, while in the case of a private school that its school sponsors do not require reasonable returns, this amount is at least 25% of the annual increase in the net assets of the school, if any.

Pursuant to the 2016 Decision as further described in the paragraphs below, private schools will no longer be classified as schools that its school sponsors require reasonable returns and schools that its school sponsors do not require reasonable returns. Instead, school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school.

The 2016 Decision

On November 7, 2016, the Standing Committee of the NPC published the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) (2016年決定, the "2016 Decision"), which became effective on September 1, 2017. In accordance with 2016 Decision, as long as the school does not involve in the provision of compulsory education, school sponsors of the private school are allowed to register and operate the school as for-profit or non-profit private schools. The following table sets forth the key differences between a for-profit private school and a non-profit private school under the 2016 Decision and the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》):

Item	For-profit Private School	Non-profit Private School
Distribution of Operating Profits. .	The operating surplus may be distributed to school sponsors in accordance with the provisions of the PRC Company Law and other relevant laws and administrative regulations.	Sponsors are not entitled to any school distribution of operating profits or proceeds from the school and all operating surplus shall be retained and used for the operation of the school.
Licenses and Registration Requirements	• Permit for operating a private school • Registration requirements applicable to a corporate legal person	• Permit for operating a private school • Registration certificate of private non-enterprise entities
Fee Charging Regulation	The school is entitled to make their own decisions about the fees collection in accordance with the market situation.	The fees charged by the school shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.
Tax Treatment	Taxation policies are still unclear as more specific provisions are yet to be introduced.	Same preferential tax treatment as that applicable to public schools.
Land.	The school is entitled to land policies in accordance with the PRC laws.	The school may obtain the land use rights by means of allocation by the government as a preferential treatment.

Item	For-profit Private School	Non-profit Private School
Government Support.	The people's governments at or above the county level may support the school by subscribing to the school's services, providing student loans and scholarships, and leasing or transferring unused state-owned assets.	The school will also enjoy the support from the people's governments available to a for-profit private school. In addition, the people's governments may further take such measures as government subsidies, bonus funds and incentives for donation in support of the school.
Liquidation.	The remaining assets of the school after liquidation are permitted to be handled in accordance with the relevant provisions of the PRC Company Law.	The remaining assets of the school after liquidation shall be applied to the operation of other non-profit private schools.

If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as non-profit private schools, they shall procure the school to amend its articles of association in accordance with 2016 Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such non-profit private schools, the government authority may grant some compensation or reward to the school sponsors who have made capital contribution to such schools from the remaining assets of the schools upon their liquidation and then apply the rest of the assets to the operation of other non-profit private schools.

If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as for-profit private schools, the schools shall go through certain procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

After the 2016 Decision, The Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) was last amended on December 29, 2018 and became effective on the same day.

The MOJ Draft for Comments

On August 10, 2018, the MOJ issued the Draft for Comments based on a revised version of the MOE Draft for Comments.

The major provisions of the MOJ Draft for Comments include:

(1) *Clause 7 of the MOJ Draft for Comments*

Clause 7 of the MOJ Draft for Comments provides that government-run schools are not allowed to sponsor or participate in sponsoring for-profit private schools. A government-run school which sponsors or participates in sponsoring a non-profit private school shall obtain the approval of the competent department and, shall not (i) use governmental financial funds, (ii) affect the teaching activities of the government-run school and (iii) profit from brand licensing its own brand to other.

(2) *Clause 12 of the MOJ Draft for Comments*

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

(3) *Clause 21 of the MOJ Draft for Comments*

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

(4) *Clause 45 of the MOJ Draft for Comments*

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

The consultation period for the MOJ Draft for Comments has ended on September 10, 2018 but the PRC government has not provided any timeframe for promulgation of the MOJ Draft for Comments.

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

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

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

Implementing Measures on Classification Registration of Private Schools

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

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

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

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

According to the Implementing Rules for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), which was issued jointly by the MOE, the MOHRSS and the State Administration for Industry and Commerce (the "SAIC", currently known as the SAMR) on December 30, 2016 and became effective on the same day, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools providing compulsory education.

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

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

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

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

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

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

Implementing Opinions of Heilongjiang Province People's Government on Encouraging Private Entities and Individuals to Operate Schools and Promoting the Healthy Development of Private Education

On February 26, 2019, the People's Government of Heilongjiang Province promulgated the Heilongjiang Implementing Opinions, the Heilongjiang Registration Measures, and the Heilongjiang Administration Measures. According to Heilongjiang Registration Measures, the private schools in Heilongjiang established before November 7, 2016 shall submit the application for and complete registration as a non-profit or for-profit private school before September 1, 2022. Except the transition period mentioned above, the Heilongjiang Implementing Opinions, Heilongjiang Registration Measures and Heilongjiang Administration Measures do not expressly stipulate the detailed measures on the alteration of the registration of the private schools.

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

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

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

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

Notice of the Heilongjiang Provincial Price Control Administration Bureau on Matters concerning Decontrolling the Prices of a Group of Commodities and Services

On March 9, 2017, the Heilongjiang Provincial Price Control Administration Bureau promulgated the Notice of the Heilongjiang Provincial Price Control Administration Bureau on Matters concerning Decontrolling the Prices of a Group of Commodities and Services (《黑龍江省物價監督管理局關於放開一批商品和服務價格等有關事項的通知》). The prices of a batch of goods and services such as private academic education fees should be decontrolled and the relevant operators should independently determine the prices according to factors such as the cost of production and operation or market supply and demand.

Administrative Measures for Food Operation Licensing

According to the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was issued by the China Food and Drug Administration (currently known as the SAMR) on August 31, 2015 and newly amended on November 17, 2017, a food operation license (《食品經營許可證》) shall be obtained to engage in food selling and catering services.

Regulations on Safety and Health Protection of Schools

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

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

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

REGULATIONS OVER REAL PROPERTY IN THE PRC

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

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

REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC

Copyright

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

Trademark

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

Patent

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

Domain Name

Pursuant to Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on August 24, 2017 and became effective on November 1, 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in writing.

REGULATIONS OVER LABOR PROTECTION IN THE PRC

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

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

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

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

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

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

REGULATIONS OVER TAX IN THE PRC

Income Tax

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

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

According to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), private schools enjoy the state preferential tax policies, while non-profit private schools enjoy the same preferential tax treatment as public schools.

Income Tax In Relation To Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得税避免雙重徵税和防止偷漏税的安排》, the "Arrangement") on August 21, 2006 and implemented the Arrangement from January 1, 2007. According to the Arrangement, the withholding tax rate on dividends paid by a PRC resident company to its shareholder, who is a Hong Kong resident and directly holds at least 25% of its equity, is 5%, and otherwise is 10%, and vice versa.

Pursuant to the Notice of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT, which was promulgated on February 20, 2009 and became effective on the same day, a taxpayer (as the counterparty to a tax agreement), who directly holds certain percentage (normally 25% or 10%) of equity interests of a PRC resident company, shall be entitled to being taxed at a tax rate specified in the tax agreement for the dividends paid to it by the PRC resident company if all of the following requirements are satisfied: (i) such taxpayer receiving dividends shall be a company; (ii) the equity interests and voting shares of the PRC resident company directly held by such taxpayer shall reach the stipulated percentage; and (iii) the equity interests of the PRC resident company directly owned by such taxpayer shall satisfy the stipulated percentage at any time during the 12 months prior to the receipt of the dividends.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (Order No. 538 of the State Council) (《增值税暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017, and came into effect on November 19, 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (Order No. 65 of the MOF) (《增值税暫行條例實施細則》), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011 and took effect on November 1, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業税改徵增值税試點方案》), which was promulgated by the MOF and the SAT on November 16, 2011, the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

Pursuant to the Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), which was promulgated by the MOF and the SAT on March 23, 2016 and became effective on May 1, 2016, since May 1, 2016, the government will collect value-added tax in lieu of business tax on a trial basis within the territory of the PRC and business tax payers in various industries such as construction industries, real estate industries, financial industries, and life service industries shall be included in the scope of the pilot program for the payment of Value-added tax instead of business tax.

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

Pursuant to the Provisions on Transitional Policies for the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》), income from providing education services for academic qualifications, which refers to the income from providing education services for academic qualifications for student enrollments within the prescribed admission plans, specifically including: income from tuitions, lodging fees, textbook fees, exercise-book fees, and exam entry fees that are examined and approved by the relevant departments and charged according to the prescribed standards, as well as income from boarding fees for catering services provided by school canteens, is exempted from value-added tax.

Other Tax Exemptions

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

REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

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

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

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

Pursuant to Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》, the "Circular No. 13"), which was promulgated on February 13, 2015 and implemented on June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated by the SAFE on Mach 30, 2015 and effective from June 1, 2015, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF ILLINOIS OF THE UNITED STATES

Illinois Board of Higher Education Act

The Illinois Board of Higher Education ("IBHE") establishes the structure of higher education in the State of Illinois of the United States and governs the operations of both public and private higher educational institutions. The Private College Act (110 ILCS 1005) was passed on July 17, 1945 and amended on August 9, 1977 to regulate private college institutions in the State of Illinois, the United States.

IBHE is responsible for planning and coordinating the state's system of higher education in five major areas: (i) master planning; (ii) higher education budget; (iii) information systems; (iv) grants administration; and (v) program approval and operating authority. IBHE makes budget recommendations and grants operating authority and program approval for public higher education agencies and organizations and private institutions.

Illinois Private College Act

According to the Private College Act, applications submitted to the IBHE for a certificate of approval to operate a post-secondary educational institution shall contain: (i) the proposed name of the institution and its proposed location; (ii) the nature, extent and purposes of the courses of study to be given; (iii) the fees to be charged and the conditions under which the fees are to be paid; (iv) the education and experience of the members of the teaching staff; and (v) the degrees to be issued to students upon completion of courses of instruction.

Illinois Academic Degree Act

Pursuant to the Academic Degree Act, a degree may be awarded only by a degree granting institution. Unless a degree granting institution was authorized to operate in Illinois, or was in operation, on August 14, 1961, it shall not award any earned degree until one year after it has filed a written notice with and until such institution has received the authorization and approval of the IBHE. The notice shall be under oath or affirmation of the principal officer of the institution and shall contain: the name and address of the degree granting institution; the names and addresses of the president or other administrative head and of each member of the board of trustees or other governing board; a description of the degree or degrees to be awarded and the course or courses of study prerequisite thereto; and such additional information relevant to the purposes of this Act as the IBHE may prescribe. An amendment to the notice shall also be under oath or affirmation of the principal officer of the institution and shall be filed with the Board prior to the award of any degree not contained in the original notice or prior amendments thereto. A degree authorized in an amendment shall not be awarded until one year after the filing of the amendment with and the authorization of the IBHE. The submission of the regular catalog of the institution shall, if it covers the matters hereinabove mentioned, be deemed to constitute compliance herewith. A degree granting institution shall keep the notice which it shall have filed with the IBHE current at all times. For this purpose, it shall report annually, by appropriate amendment of the notice, any change in any fact previously reported.

Illinois Administrative Code 1030

Approval to Operating Authority

For institutions seeking a certificate of approval under the Private College Act and an authorization to operate under the Academic Degree Act, the procedures for obtaining a certificate of approval and/or authorization to operate primarily consist of the following steps: (i) orientation: an applicant or his/her representative shall attend an orientation session to meet and discuss the criteria of its educational objectives and its procedures used in applying for a certificate of approval and/or an authorization to operate; (ii) the Chief Executive Officer (CEO) (or the person of equivalent authority and status) of the institution shall file a notice of intent to make its intention known by the IBHE, which shall be posted on the website of the IBHE by the IBHE for no less than 30 days before the IBHE taking actions on the application; (iii) the institution's representative shall complete the application documents supplied by the IBHE accompanied with supporting evidence to demonstrate the institution meets the established criteria; (iv) the staff of the IBHE will analyze the application and accompanying documentation submitted by the applicant; (v) the IBHE may schedule a site visit to verify and supplement the information provided by the institution, which may include the IBHE conducting interviews with prospective administrators, students, faculty, and/or board members, and observing the facilities, financial data, record systems, and/or curricular resources; (vi) the Executive Director of the IBHE may consult with external consultants to assist the verification and/or evaluation of the documentation submitted; (vii) the staff of the IBHE will prepare an analysis of the findings and develop a recommendation to the IBHE regarding the institution's application, which will be shared with the applicant; (viii) the Executive Director of the IBHE will submit the staff recommendation to the IBHE for action, and the CEO of the applicant will be invited to respond to any questions asked by the IBHE; and (ix) after the IBHE decides on the proper action to take on the application, a decision letter will be sent to the applicant.

While the application to the operating authority and the application to degree granting authority can be submitted at the same time, the IBHE will not review the application to degree granting authority until the applicant receives approval to operating authority.

Approval to Degree Granting Authority

For institutions seeking a degree authorization under the Academic Degree Act, the procedures for obtaining the authority to award one or more new certificates and/or degrees are essentially as follows: (i) the CEO of the institution shall complete a notice of intent provided by the IBHE to make its intention known, which shall include the certificate or degree and program name, region(s) where the institution is located, description of the program, demographics of the intended students, estimated enrollment, and contact person; (ii) the applicant shall also complete an application documents provided by the IBHE, which shall include the program titles, program objectives, curriculum, relationship of new programs to existing programs (if applicable), faculty, recommendation of internal governance bodies, facilities, and program publicity information, which shall be approved by the applicant's governing body prior to its submission to the IBHE for approval; (iii) the applicant submits the application to the IBHE; (iv) IBHE staff reviews and analyzes the submitted application and documentation; (v) in case the IBHE staff determines that it is necessary to verify or supplement the information submitted in the application, the staff may request additional documentation and/or arrange for a site visit; (vi) the Executive Director of the IBHE may discuss with external consultants to assist the staff in the evaluation and in a site visit; (vii) the IBHE staff will summarize its findings and develop a recommendation to IBHE, which will be shared with the applicant; (viii) the Executive Director of the IBHE will submit the recommendation prepared by its staff for action to the IBHE. The CEO of the applicant will be invited to a meeting for responding to questions from the IBHE; (ix) the IBHE will issue a decision letter to the applicant; (x) the institution shall not award new degrees until one year after obtaining authorization by the IBHE; (xi) any institution denied approval to award a new certificate or degree must file a new application in order to be given subsequent consideration for approval; (xii) the authorized degree-granting institution may state it is approved or authorized to award a certificate or a degree in Illinois only after that approval has been officially granted by the IBHE; however, such institution shall not advertise or state in any manner that it is "accredited" by the IBHE; and (xiii) if the institution applied after December 15, 2008, the institution shall not deviate from the approved plan for one (1) year after the date of the letter of approval.

Maintenance of Authorization to Operate and/or Grant Certificates and Degrees

The institutions approved to operate under both the Private College Act and the Academic Degree Act shall comply with the following requirements (as applicable) in order to maintain the authorization to operate and/or grant certificates and degrees, which include: (i) filing annually with the IBHE its current catalogs. In addition, institutions must comply with any data requests to satisfy IBHE reporting requirements; (ii) the IBHE may conduct reviews and/or visits of authorized institutions and/or their certificate and degree programs to verify the institution's implementation and maintenance of the conditions that were presented in its applications and that formed the basis upon which the authorizations were granted. There may also be a review in the fifth year of a new program's existence which include reviewing information on improvements in the institution's capacity to efficiently and effectively deliver certificate and degree programs using technological innovation and comprehensive data systems. In the case of a program in which State licensure is required for employment in the field, a program can be found to be in good standing if the institution is able to provide evidence that program graduates are eligible to take the appropriate licensure examination and pass rates are maintained as specified in the objectives of the unit of instruction. If there is no such evidence, approval of the program may be withdrawn by the IBHE; (iii) the IBHE may initiate an investigation in response to information suggesting that changes have occurred in the conditions under which Authorization to Operate and/or Award Specific Certificates and Degrees was given. During the investigation, there may be a temporary suspension placed on the institution's applications to the IBHE for new program approvals and other programs. The suspension will be for a specified period of time not to exceed six months, unless the IBHE begins the process for revocation, in which case the suspension will continue until the IBHE makes a decision; (iv) the IBHE may revoke its approval on the following grounds, among others, (a) failure by an institution to permit any duly authorized representative of the IBHE to enter upon the premises of the institution and to inspect or otherwise examine the institution and its books, papers or other records; (b) failure by an institution to maintain the conditions under which the institution and/or its certificates and/or its degrees were authorized; (c) failure by an institution to maintain the institution's implementation and maintenance of the conditions that were presented during its fifth year review and that formed the basis upon which the authorizations were continued; (d) failure by an institution to offer degrees or instruction for any continuous 12-month period; (e) abandonment of the institution; (f) loss of accreditation status with an accrediting body with which the institution is or was affiliated; and (g) actions of federal or state regulatory agencies or Offices of Attorneys General, Offices of Inspectors General, or similar bodies that affect an institution's status with those bodies.

Voluntary Non-Governmental Accreditation Process

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

The Higher Learning Commission (HLC) is an independent corporation that was founded in 1895 as one of the six regional institutional accreditors in the United States. HLC accredits degree-granting postsecondary educational institutions in the North Central region, which includes Illinois. The initial accreditation process of HLC primarily involves two parts: eligibility process and application for status. An institution must start the process from the beginning of the eligibility process, which involves a series of review conducted by the HLC to review the information provided by the institution. If HLC determines that the applicant provided sufficient information to proceed further, the applicant shall submit a letter of intent to pursue candidacy to proceed to the next stage, which is application for status. When accredited status is obtained, the relevant institution would need to maintain its status in accordance with the applicable requirements of HLC.

Eligibility Process

Eligibility process has eight steps: (i) an institution submits the letter of inquiry with the required preliminary evidence. HLC screens the materials for completeness; (ii) HLC conducts a preliminary evidence review and sends a preliminary evidence response. If the review indicates the preliminary evidence is sufficient, the institution may proceed. If the review indicates that the preliminary evidence is not sufficient, the institution may submit additional or updated evidence; (iii) HLC conducts a pre-application interview with the institution; (iv) HLC sends a post-interview letter to the institution indicating that the institution is or is not ready to proceed. Additional information may also be requested; (v) If approved to proceed, the institution submits its letter of intent to submit the eligibility filling; (vi) After the institution submits a completed eligibility filing and other required materials, HLC screens materials for completeness and may request additional materials or return the eligibility filing for incomplete filings; (vii) A panel of two HLC peer reviewers evaluates the eligibility filling. The panel may request additional information from the institution. The panel then makes a determination about the compliance and readiness of the institution to pursue candidacy; and (viii) HLC notifies the institution of the outcome of its eligibility to pursue candidacy. The institution may proceed if it is eligible to pursue candidacy. By contrast, if it is found to be ineligible, the institution must generally wait one year before restarting the process from the beginning of the eligibility process.

Application for Status

Application for status involves the following steps: (i) An institution submits a letter of intent to pursue candidacy within 90 days of the date of the letter on eligibility; (ii) The institution submits comprehensive evaluation materials and hosts an on-site visit by the peer review team. HLC assigns the institution a staff liaison prior to the comprehensive evaluation for candidacy; (iii) The team recommendation on candidacy is reviewed at an Institutional Actions Council (IAC) hearing and then subsequently acted on by the Board of Trustees. If candidacy is granted, the institution is granted a term of candidacy, typically for four years. If candidacy is not granted, the institution must generally wait one year before restarting the process from the beginning of the eligibility process; (iv) The institution participates in a biennial evaluation. If the institution is making reasonable progress toward meeting the criteria for accreditation and otherwise meets the specified requirements, the institution maintains its candidate status. If candidacy is withdrawn, the institution must generally wait one year before restarting the process from the beginning of the eligibility process; (v) The institution submits comprehensive evaluation materials and hosts an on-site visit by the peer review team, which will make a recommendation as to whether initial accreditation should be granted; and (vi) The team recommendation on initial accreditation is reviewed at an IAC hearing and then subsequently reviewed by the Board of Trustees. If the initial accreditation is granted, the institution becomes an accredited institution. If the initial accreditation is not granted, the institution must generally wait one year before restarting the process from the beginning of the eligibility process, unless the period of its candidacy is continued or extended by the Board of Trustees.

According to the procedural guidance supplied by the HLC in March 2019, in general, it would take an applicant at least five (5) years, often more, to complete the whole initial accreditation process and obtain the initial accreditation status. Moreover, if at any point in the entire process that the institution misses a required deadline, voluntarily withdraws from the process, or fails to achieve the next step in the process, the institution must wait a year before restarting the process from the beginning of the eligibility process and submitting a new letter of inquiry with preliminary evidence (i.e. the very first step of the accreditation process.)

Maintaining Accredited Status

HLC offers three pathways for maintaining accredited status: Standard, AQIP and Open. All three pathways follow a 10-year cycle and are focused on quality assurance and institutional improvement. The AQIP added an emphasis on helping institutions achieve continuous quality improvement. The Open pathway is unique in its improvement component, the Quality initiative, affords institutions the opportunity to pursue improvement projects that meet their current needs and aspirations. Eligible institutions may choose to change pathways only upon completion for an institution's current cycle, which is after reaffirmation of accreditation in year 10 of the Standard and Open pathway and in year 8 of the AQIP Pathway.

OUR HISTORY AND DEVELOPMENT

Overview

We provide private formal higher education in China through Heilongjiang College. The history of Heilongjiang College can be tracked back to May 2002 when the People's Government of Heilongjiang Province approved the proposal by NAU and Harbin Software Zone Development Co., Ltd.* (哈爾濱軟件園發展有限公司) ("Harbin Software") to co-invest in establishing the Chengdong College of Northeast Agricultural University* ("Chengdong College") (東北農業大學成棟學院), the predecessor of Heilongjiang College, in Harbin City, Heilongjiang Province, the PRC.

Mr. Liu, the founder of our Group and one of our Controlling Shareholders, has been operating business and making investments in various industries (including furniture and cross-border trade) in China since 1995. In May 2001, Mr. Liu and Ms. Dong, spouse of Mr. Liu and one of our Controlling Shareholders, established Daqing Xiangge Property Development Limited* (大慶市祥閣房地產開發有限公司) focusing on property development business which flourished due to the increasing need for housing and infrastructure supply in China during that time. Given the education background of Mr. Liu and Ms. Dong (each being a graduate from Harbin Normal University (哈爾濱師範大學)) and seeing the opportunities arising from the needs for talents for furthering the development of China as well as the desire to make contributions to society, since 2006, Mr. Liu and Ms. Dong have gradually focused their efforts on and made significant investment in the higher education industry in Heilongjiang Province supported by the profits accumulated from their property investment and other businesses. They first invested in the construction of Limin Campus of Heilongjiang College of Science and Technology* (黑龍江科技學院利民校區) ("Limin Campus") and Mr. Liu was actively involved in managing its operations (while Ms. Dong was a passive investor). Building on this experience, they further participated (through Harbin Xiangge) in the consolidation of resources between Limin Campus and Chengdong College, the latter of which has continued to develop and become the current Heilongjiang College. The current school sponsor of Heilongjiang College, Harbin Xiangge (which has been ultimately and beneficially owned by Mr. Liu and Ms. Dong since its incorporation on February 7, 2007) became the school sponsor of Chengdong College in June 2011. Since then, Mr. Liu and Ms. Dong (through companies owned by them, including Harbin Xiangge) have indirectly held all the school sponsor's interest in Heilongjiang College (or Chengdong College, its predecessor).

Pursuant to the letter of approval from the Ministry of Education dated April 28, 2015, among others, Chengdong College was converted into Heilongjiang College as a private regular undergraduate institution (民辦普通本科院校).

Business Milestones

The following illustrates our major development milestones:

Year	Event
2002	• The proposal to establish Chengdong College was approved in May by the People's Government of Heilongjiang Province
2004	• the Ministry of Education recognized Chengdong College as an independent college (獨立學院)[(1)]
2007	• Harbin Xiangge, the current school sponsor, was incorporated in the PRC
2008	• Chengdong College received the accreditation of the Heilongjiang Province Gold Service School (黑龍江省金牌服務院校)
2010	• Chengdong College received the accreditation of National Advanced Independent College (全國先進獨立學院)
2011	• Harbin Xiangge became the school sponsor of Chengdong College
2013	• Chengdong College received the accreditation of National Education Reform and Innovation Model College (全國教育改革創新示範院校)
2015	• The Ministry of Education approved the conversion of Chengdong College into Heilongjiang College
2019	• Established the School of Railway by adjusting the majors offered in the department of engineering and renaming it
	• Completed phase 1 construction of Hanan Campus and put into use in September

Note:

(1) According to Measures for the Establishment and Administration of Independent Colleges (《獨立學院設置與管理辦法》), "independent college" refers to the higher schools engaging in undergraduate degree education which are established by regular higher schools engaging in undergraduate degree education or higher jointly with social organizations, other than state institutions, or individuals with funds from sources other than national finance.

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

OUR PRC CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, our Group was composed of the following consolidated affiliated entities which principally affected the results, assets or liabilities of our Group:

1. Heilongjiang College

Early Establishment and Transfer of School Sponsor’s Interest in Chengdong College

In May 2002, the People’s Government of Heilongjiang Province (黑龍江省人民政府) approved the proposal to establish Chengdong College, the predecessor of Heilongjiang College, as a private secondary college (民辦二級學院). The relevant record shows that the original co-founders of Chengdong College were NAU and Harbin Software.

According to a note issued by the then board of directors of Chengdong College dated May 26, 2003, the board had resolved that the co-operation between NAU and Harbin Software was terminated and Harbin Dongnong Veterinary, Medicine and Feed Co., Ltd.* (哈爾濱東農獸藥飼料有限責任公司) (“Dongnong Veterinary”) became the co-runner of Chengdong College together with NAU. In June 2003, the Civil Affairs Bureau of Heilongjiang Province (黑龍江省民政廳) approved the registration of establishment of Chengdong College. As of June 16, 2003, the registered capital of Chengdong College was RMB10 million and fully paid up by NAU and Dongnong Veterinary for RMB5.5 million and RMB4.5 million, respectively.

According to the board resolutions of the then board of directors of Chengdong College dated September 30, 2003, it was resolved that NAU further invested RMB39.5 million and Dongnong Veterinary further invested RMB30.5 million in Chengdong College. On October 10 and October 16, 2003, the Office of Management of Provision of Education by Society Members* (黑龍江省社會力量辦學管理辦公室) and Civil Affairs Bureau of Heilongjiang Province (黑龍江省民政廳) respectively approved the increase in capital of Chengdong College. Accordingly, the registered capital of Chengdong College increased from RMB10 million to RMB80 million. In February 2004, the Ministry of Education recognized Chengdong College as an independent college (獨立學院).

According to the board resolutions of the then board of directors of Chengdong College dated December 12, 2010, it was resolved that, due to change of shareholding structure in Dongnong Veterinary, the school sponsors of Chengdong College changed from NAU and Dongnong Veterinary to NAU and Northeast Agricultural University Asset Operation Limited* (東北農業大學資產經營有限公司) (“NAUAOL”) and an application was made to the Education Department of Heilongjiang Province for the change of school sponsors. On January 10, 2011, the Education Department of Heilongjiang Province approved the change of school sponsors accordingly.

To the best information and knowledge of our Company, except for our business relationship with NAU as disclosed in detail below, each of NAU, Harbin Software, Dongnong Veterinary and NAUAOL is an Independent Third Party.

Investment by Harbin Xiangge in Chengdong College

In May 2011, under the guidance of the Education Department of Heilongjiang Province, Harbin Xiangge was involved in the consolidation of resources between Chengdong College and Limin Campus[1]. Pursuant to the guidance of the Education Department of Heilongjiang Province, among others, (i) NAU and Harbin Xiangge will be co-runners Chengdong College after consolidation and they shall enter into a cooperation agreement (as detailed below), (ii) Harbin Xiangge will be responsible for investment and construction of the Chengdong College after consolidation, (iii) new campus of Chengdong College (the then existing Limin Campus) will commence student admission in 2011 under the name of Chengdong College and after a transition period of 3 years, the name of Limin Campus shall be withdrawn.

On June 2, 2011, NAU and Harbin Xiangge entered into a cooperation agreement regarding school operation (《合作辦學協議》) (the "Cooperation Agreement"), pursuant to which the parties agreed that, among others, (i) Harbin Xiangge and NAU will jointly operate Chengdong College, (ii) Harbin Xiangge will transfer the ownership of assets under Limin Campus including land, properties, tangible assets and funds (of a total asset value of RMB300 million) to Chengdong College; (iii) original investment and assets of Chengdong College attributable to NAU and liabilities of Chengdong College will be returned to and assumed by NAU; and (iv) Chengdong College shall pay a management fee to NAU annually, which shall be 15% of the tuition fee collected from students admitted by Chengdong College starting from 2011. Pursuant to the Cooperation Agreement, NAU shall (i) have representatives in the board of directors of Chengdong College accounting for no less than two-fifth of its total members, (ii) authorise the use of its school name, intellectual property rights, and provide, among other things, management resources and teaching resources in the operation of Chengdong College, (iii) support and guide the teaching and management work of Chengdong College by utilizing NAU's human resources and relevant expertise, and (iv) supervise and guide the formation of teaching and management teams of Chengdong College and improve the supervision and evaluation system regarding the teaching quality of Chengdong College.

The management fee payable to NAU was determined after arm's length negotiation between Harbin Xiangge and NAU after taking into account the relevant factors, in particular, management fee payable to public school partners by the independent colleges in comparable cases (which ranged between 15% and 30% of the total tuition fees received by the independent colleges during each school year, according to Frost & Sullivan).

1 All expenses and investment of Limin Campus were contributed by Mr. Liu and Ms. Dong (through companies controlled and owned by them). Prior to the consolidation, Limin Campus recruited students under the name of Heilongjiang College of Science and Technology (now known as Heilongjiang University of Science and Technology) whilst student recruitment and teaching related matters were managed by Limin Campus. The Education Department of Heilongjiang Province formally approved the plan of establishing Limin Campus in October 2006 and Limin Campus offered undergraduate and higher diploma programs related to business management and technology.

On June 21, 2011, the Education Department of Heilongjiang Province approved, among others, that the registered school sponsor of Chengdong College became Harbin Xiangge, which has been ultimately and beneficially owned by Mr. Liu and Ms. Dong since its incorporation on February 7, 2007. Since then, Mr. Liu and Ms. Dong (through companies owned by them, including Harbin Xiangge) have indirectly held all school sponsor's interest of Chengdong College (and the current Heilongjiang College).

In September 2012, the Bureau of Civil Affairs of Heilongjiang Province (黑龍江省民政廳) approved the increase of registered capital of Chengdong College from RMB80 million to RMB180 million. In September 2012, the Education Department of Heilongjiang Province approved that, among others, Chengdong College shall use the resources of Limin Campus to provide education whilst Limin Campus would no longer hold any external activities.

Management Fee Agreement and Termination of the Cooperation Agreement

On December 14, 2013, NAU, Chengdong College and Harbin Xiangge entered into an management fee agreement (《管理費繳納協議》) (the "Management Fee Agreement"), pursuant to which the parties agreed that, among others, (i) the management fee payable to NAU by Chengdong College as of the date of agreement was approximately RMB17.9 million; and (ii) the management fee due and payable for the year of 2013, 2014 and 2015 shall be repaid by the specified timeframe and (iii) Harbin Xiangge will provide an unconditional guarantee in favour of NAU and be jointly and severally liable regarding management fee due and payable by Chengdong College or its succeeding institution.

On August 9, 2014, NAU and Harbin Xiangge entered into a termination agreement regarding the termination of cooperation in jointly operating Chengdong College and follow-up matters (《終止合作舉辦東北農業大學成棟學院暨善後事宜處理協議書》), pursuant to which the parties agree that, among others, (i) students admitted to Chengdong College before its conversion into a private regular undergraduate institution (民辦普通本科院校) will be subject to the existing management and education system until their graduation and the parties will continue to perform their respective obligations pursuant to the Cooperation Agreement, (ii) students admitted after the conversion will be subject to the management and education system of the new institution, (iii) management fee based on the tuition fee collected from students admitted under the name of Chengdong College shall be payable to NAU in accordance with the Management Fee Agreement, whilst after the conversion, all tuition fee collected from students admitted under the name of the new institution shall belong to the new institution and no management fee shall be payable to NAU thereupon; and (iv) upon regulatory approval of the conversion, the name of the new college will be "Heilongjiang College of Business and Technology* (黑龍江工商學院)" and the new institution has the right to use the name of "Chengdong College" until all students admitted under the name of Chengdong College graduate or cease their study.

In September 2014, the registered capital of Chengdong College increased to RMB183.3 million and according to the capital verification report, all registered capital of Chengdong College was contributed by Harbin Xiangge. The increase in registered capital of Chengdong College was approved by the Education Department of Heilongjiang Province and the Bureau of Civil Affairs of Heilongjiang Province (黑龍江省民政廳) in September and December 2014 respectively.

Pursuant to the letter of approval from the Ministry of Education dated April 28, 2015, among others, Chengdong College was converted into Heilongjiang College as a private regular undergraduate institution (民辦普通本科院校), the sole school sponsor was Harbin Xiangge and the organizational structure of Chengdong College was cancelled. The change of name to Heilongjiang College was also approved by the Bureau of Civil Affairs of Heilongjiang Province (黑龍江省民政廳) in November 2015.

The co-operation costs in our Group's cost of sales (which represents management fee we were required to pay to NAU) recognized for the years ended August 31, 2017, 2018 and 2019 was approximately RMB3,121,000, nil and nil, respectively. The aforementioned co-operation costs of RMB3,121,000 was not actually paid to NAU in 2017. On February 25, 2020, NAU and Heilongjiang College entered into a repayment agreement, pursuant to which, the parties confirmed that, among others, the remaining management fee payable by Heilongjiang College to NAU under the Management Fee Agreement as of December 31, 2019 was approximately RMB26.4 million (which reflected the aggregate outstanding management fee payable to NAU incurred during the period between 2013 and 2017) and will be fully repaid by 2022.

2. Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司)

Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司), formerly known as Harbin Xiangge Property Development Ltd.* (哈爾濱祥閣房地產開發有限公司) ("Harbin Xiangge") was established on February 7, 2007 under the laws of the PRC with a registered capital of RMB10 million. The primary source of funding for the capital contributions in Harbin Xiangge by Mr. Liu and Ms. Dong was the returns generated from their other business investments. Harbin Xiangge possessed the qualification as a third-grade real estate development enterprise and has engaged in the investment and construction of property development projects based in Heilongjiang, including Limin Xueyuan (利民學苑) which was a residential-commercial complex completed in 2011 and Shuang Cheng – Xiangge Garden (雙城-祥閣花園) which was a residential development project with three phases and fully completed in 2014. Following the execution of the Cooperation Agreement, the business focus of Harbin Xiangge has gradually shifted to education business, in particular, operating and developing Heilongjiang College.

Upon establishment, the shareholding structure of Harbin Xiangge was as set forth below:

Shareholder	Registered Capital	Percentage of the Shareholding
	(RMB)	*(%)*
Daqing Xiangge Property Development Limited*[(1)] (大慶市祥閣房地產開發有限公司) ("Daqing Xiangge")	9,500,000	95.00
Ms. Dong	500,000	5.00
Total	***10,000,000***	***100.00***

Note:

(1) Daqing Xiangge was directly owned by Daqing Xiangge Corporate Management Co., Ltd.* (大慶市祥閣企業管理有限公司), which in turn was ultimately and beneficially owned as to 100% by Mr. Liu.

Pursuant to a share transfer agreement between Ms. Dong and Daqing Xiangge dated March 2, 2007, Ms. Dong agreed to transfer all her equity interest in Harbin Xiangge to Daqing Xiangge for a consideration of Daqing Xiangge agreeing to assume Ms. Dong's obligation for contributing RMB500,000 to Harbin Xiangge as its registered capital (which had not been paid by Ms. Dong). Daqing Xiangge became the sole shareholder of Harbin Xiangge after the above transfer which was approved by the relevant authority on May 24, 2007.

Pursuant to the shareholder's resolution dated October 20, 2010, the registered capital of Harbin Xiangge increased from RMB10 million to RMB20 million. The increase in registered capital was approved by the relevant authority on October 29, 2010.

On September 13, 2011, it was resolved that the registered capital of Harbin Xiangge increased from RMB20 million to RMB41 million, of which the additional RMB21 million registered capital was contributed by Ms. Dong. On June 2, 2012, it is further resolved that the registered capital of Harbin Xiangge increased from RMB41 million to RMB50 million. All of the additional registered capital was contributed by Ms. Dong. The above-mentioned increases were approved by the relevant authority on September 27, 2011 and June 11, 2012, respectively. The shareholding structure of Harbin Xiangge following the above increases in registered capital was as set forth below:

Shareholder	Registered Capital	Percentage of the Shareholding
	(RMB)	*(%)*
Daqing Xiangge	20,000,000	40.00
Ms. Dong	30,000,000	60.00
Total	***50,000,000***	***100.00***

Note:

(1) Daqing Xiangge was directly owned by Daqing Xiangge Corporate Management Co., Ltd.* (大慶市祥閣企業管理有限公司), which in turn was ultimately and beneficially owned as to 100% by Mr. Liu.

Pursuant to a share transfer agreement between Daqing Xiangge and Mr. Liu dated May 5, 2016, Daqing Xiangge agreed to transfer all its equity interest in Harbin Xiangge to Mr. Liu for a consideration of RMB20 million and the transfer was settled on the same day. The relevant authority agreed to register the above transfer of equity interest in Harbin Xiangge on May 17, 2016. Following the above transfer and as at September 1, 2016 (beginning of the Track Record Period), the shareholding structure of Harbin Xiangge was as set forth below:

Shareholder	**Registered Capital**	**Percentage of the Shareholding**
	(RMB)	*(%)*
Mr. Liu	20,000,000	40.00
Ms. Dong	30,000,000	60.00
Total	***50,000,000***	***100.00***

Pursuant to a segregation agreement between Harbin Xiangge and Harbin Xiangzhen Yincheng Zhiye Limited* (哈爾濱祥振引城置業有限公司) ("Yincheng Zhiye") dated August 6, 2019, (the "Segregation Agreement"), the parties agreed that, among others, (1) Yincheng Zhiye will be established with a registered capital of RMB10 million to be held as to 60% by Mr. Dong and 40% by Mr. Liu, respectively; (2) Harbin Xiangge will continue to exist and its registered capital will be reduced from RMB50 million to RMB40 million. The above-mentioned proposal was approved by the relevant authority in the PRC on January 20, 2020. For further information of the above transaction, please refer to "Corporate Reorganization – 4. Segregation of Harbin Xiangge" of this section.

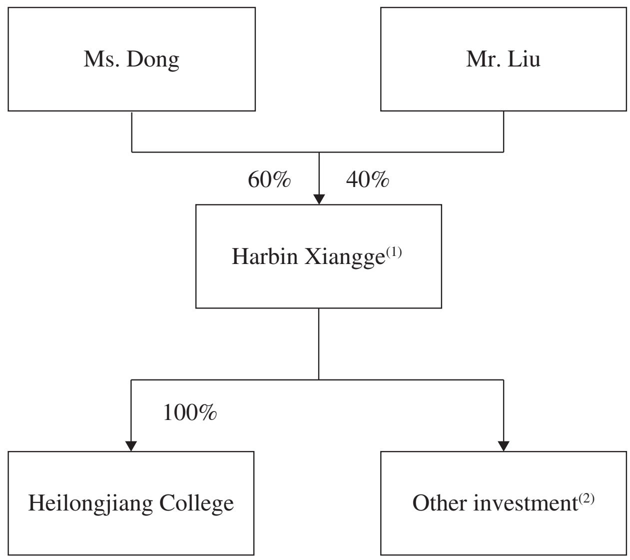
Following the reduction in registered capital in Harbin Xiangge, the shareholding structure of Harbin Xiangge is as set forth below:

Shareholder	**Registered Capital**	**Percentage of the Shareholding**
	(RMB)	*(%)*
Mr. Liu	16,000,000	40.00
Ms. Dong	24,000,000	60.00
Total	***40,000,000***	***100.00***

On February 13, 2020, the change of company name of Harbin Xiangge to its current name was approved and registration with the relevant authority was completed on the same date. On the same date, its scope of business registered with the relevant authority was changed from property development to (among others) enterprise business consultancy services and investment in education industry.

CORPORATE REORGANIZATION

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



Notes:

(1) The company name of Harbin Xiangge was changed from Harbin Xiangge Property Development Ltd* (哈爾濱祥閣房地產開發有限公司) to Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司) on February 13, 2020.

(2) Other investment of Harbin Xiangge primarily consisted of assets related to property development (100% equity interest in Harbin Junfengda Property Development Limited* (哈爾濱竣峰達房地產開發有限公司)) and micro-lending to individuals and business in the PRC (40% equity interest in Harbin City Xinyuetong Micro-lending Limited* (哈爾濱市鑫閱通小額貸款有限責任公司), the remaining 6 individual shareholders (with the single largest shareholding of approximately 15.4%) of which are Independent Third Parties).

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

1. Incorporation of the Offshore Group Companies

Incorporation of Our Company

Our Company was incorporated in the Cayman Islands on June 17, 2019 with an authorized share capital of US$50,000 divided into 5,000,000 shares with par value of US$0.01 each. At the time of incorporation, the issued share capital of our Company was US$0.01, with one Share of US$0.01 and held by Mourant Nominees (Cayman) Limited, an Independent Third Party. On June 29, 2019, the said one Share was transferred to Shuren Education Limited for a consideration at par value. On the same date, our Company issued and allotted a total of 249 Shares to the following companies for a consideration at par value:

Shareholder	Shares Issued
Shuren Education Limited	149
Junhua Education Limited	100
Total	***249***

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

Shareholder	Number of Shares	Percentage of the Shareholding
Shuren Education Limited	150	60.00%
Junhua Education Limited	100	40.00%
Total	***250***	***100.00%***

Incorporation of Leader Education Limited (Leader BVI)

Leader BVI was incorporated as a limited liability company under the laws of BVI on June 18, 2019 with an authorized share capital of US$500 divided into 50,000 shares with par value of US$0.01 each and wholly owned by our Company. On June 29, 2019, one Share of US$0.01 was issued to and held by our Company.

Incorporation of Leader Education (HK) Limited (Leader HK)

Leader HK was incorporated as a limited liability company under the laws of Hong Kong on July 12, 2019 with an issued share capital of HK$1 divided into 1 share and wholly owned by Leader BVI. Upon incorporation, the name of Leader HK was Leader Education Limited, which was changed to its current name, Leader Education (HK) Limited on June 5, 2020.

2. Establishment of WFOE

Heilongjiang Liankang Business Information Consulting Co., Ltd.* (黑龍江聯康商務信息諮詢有限公司) ("Liankang Consulting" or "WFOE") was established in the PRC on August 8, 2019 as a wholly foreign-owned enterprise with a registered capital of US$1 million and was wholly owned by Leader HK. Liankang Consulting is principally engaged in the provision of technical and management consultancy services to our PRC Consolidated Affiliated Entities. The registered capital of Liankang Consulting was increased to US$12 million pursuant to a shareholder's resolution dated March 24, 2020, which was approved by the relevant authority in the PRC on April 7, 2020.

3. Entering into the Structured Contracts to Control Our PRC Consolidated Affiliated Entities by WFOE

On February 6, 2020, WFOE entered into Structured Contracts with our PRC Consolidated Affiliated Entities, including but not limited to the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Powers of Attorney, the Exclusive Call Option Agreement, the Equity Pledge Agreement (I), the Loan Agreement and so on, through which substantially all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to WFOE by means of services fees payable by our PRC Consolidated Affiliated Entities to WFOE. On March 25, 2020 and April 5, 2020, WFOE further entered into the Equity Pledge Agreement (II) and the Supplemental Equity Pledge Agreement, respectively and the Equity Pledge Agreement (I) was terminated upon the date of the execution of the Equity Pledge Agreement (II). See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Equity Pledge Agreements" in this prospectus for details.

4. Segregation of Harbin Xiangge

Pursuant to the Segregation Agreement[(1)], Harbin Xiangge and Yincheng Zhiye agreed that, among others, (i) Yincheng Zhiye will be established with a registered capital of RMB10 million to be held as to 60% by Mr. Dong and 40% by Mr. Liu, respectively; (ii) Harbin Xiangge will continue to exist and its registered capital will be reduced from RMB50 million to RMB40 million; and (iii) assets and liabilities originally owned by Harbin Xiangge and not related to Heilongjiang College, including 100% equity interest in Harbin Junfengda Property Development Limited* (哈爾濱竣峰達房地產開發有限公司)) and 40% equity interest in micro-lending to individuals and business in the PRC (40% equity interest in Harbin City Xinyuetong Micro-lending Limited* (哈爾濱市鑫閱通小額貸款有限責任公司) (collectively, the "Equity Interest"), will be assumed by Yincheng Zhiye (the "Segregation"). The Segregation was approved by the relevant authority in the PRC on January 20, 2020 and the reduction in registered capital of Harbin Xiangge took effect on the same date.

After Yincheng Zhiye being established as a limited liability company in the PRC on January 21, 2020, the segregation of the Equity Interest from Harbin Xiangge and assumption thereof by Yincheng Zhiye was completed on the same date. Segregation of other interest and fixed assets from Harbin Xiangge would be completed upon successful registration with the relevant authorities by Yincheng Zhiye as the new owner of the respective interest and fixed assets. As the Segregation was conducted as part of the reorganization plan of Harbin Xiangge and the ultimate beneficial owners of Harbin Xiangge and Yincheng Zhiye remain to be Mr. Liu and Ms. Dong, no other consideration was involved.

Note:

(1) Although Yincheng Zhiye has not yet been established at the date of the Segregation Agreement, its legal representative Mr. Liu acted on its behalf. Our PRC Legal Advisors have confirmed that this is in compliance with the applicable PRC laws and regulations and the Segregation Agreement is effective and binding on Yincheng Zhiye.

The Segregation was conducted for the purpose of streamlining our Group's organization structure as the disposed assets are primarily related to investment holding, property investment and micro-lending to individuals and business in the PRC and are not related to our Group's principal business. In respect of property investment business, our Group also considered that it would be difficult to thrive in light of the tightening control over the real property market by the PRC government and difficulties in acquiring new land reserve and external financing for property developers and thus it would be in the interest of our Group to focus on the education business.

5. Establishment of Beijing WFOE

Beijing Junhua Business Information Consulting CO., Ltd.* (北京峻華商務信息諮詢有限公司) ("Beijing WFOE") was established in the PRC on July 8, 2020 as a wholly foreign-owned enterprise with a registered capital of US$10 million and is wholly owned by Leader HK. The establishment of Beijing WFOE is primarily for facilitating and providing greater flexibility for the use of offshore-raised capital of our Group in the PRC as banks in Beijing (as compared with Heilongjiang in which WFOE, Harbin Xiangge and Heilongjiang College are established) are more experienced and accommodative in handling cross-border finance transactions and foreign exchange related matters.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

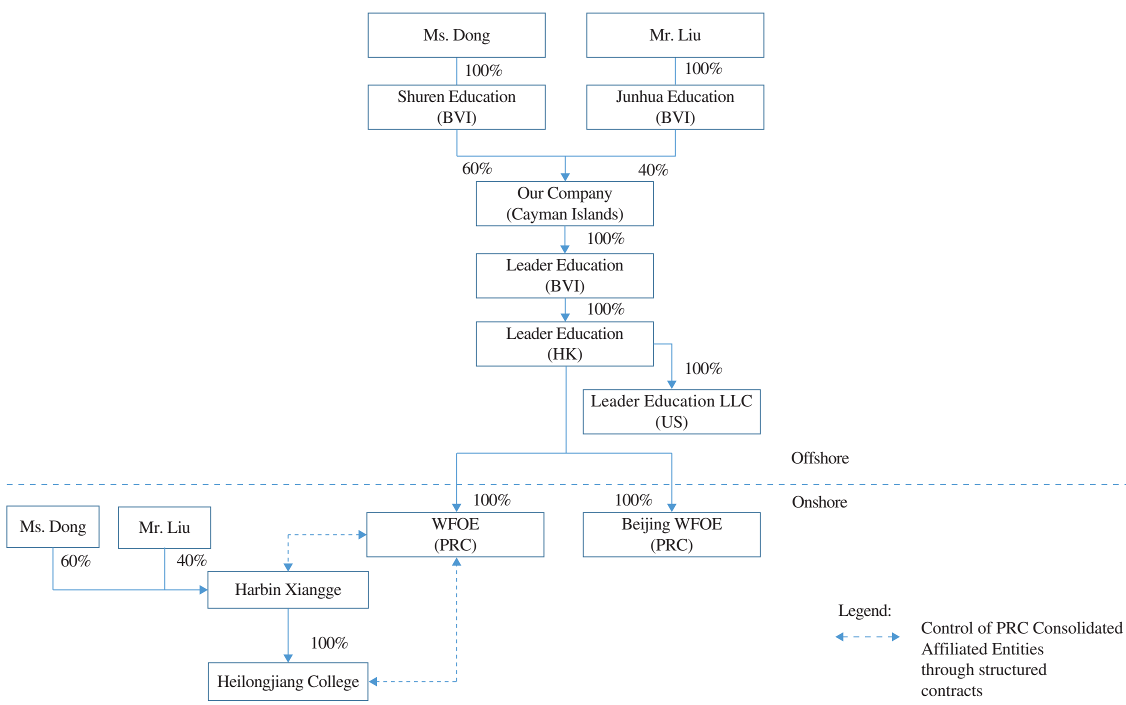
In May 2003, the co-operation between NAU and Harbin Software was terminated and Dongnong Veterinary became the co-runner of Chengdong College together with NAU. The above change has not obtained the approval from the relevant authorities. However, since the Ministry of Education has approved the conversion of Chengdong College into Heilongjiang College as an independent private higher education institution in April 28, 2015, and the certificate issued by the Education Department of Heilongjiang Province on January 14, 2020 also stated that the establishment, subsequent changes of school sponsor's interest and operation of the school have obtained all necessary approvals, and complied with registration and filing procedures required under the PRC laws and regulations, our PRC Legal Advisors confirmed that, Harbin Xiangge is currently the sole sponsor of Heilongjiang College.

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

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

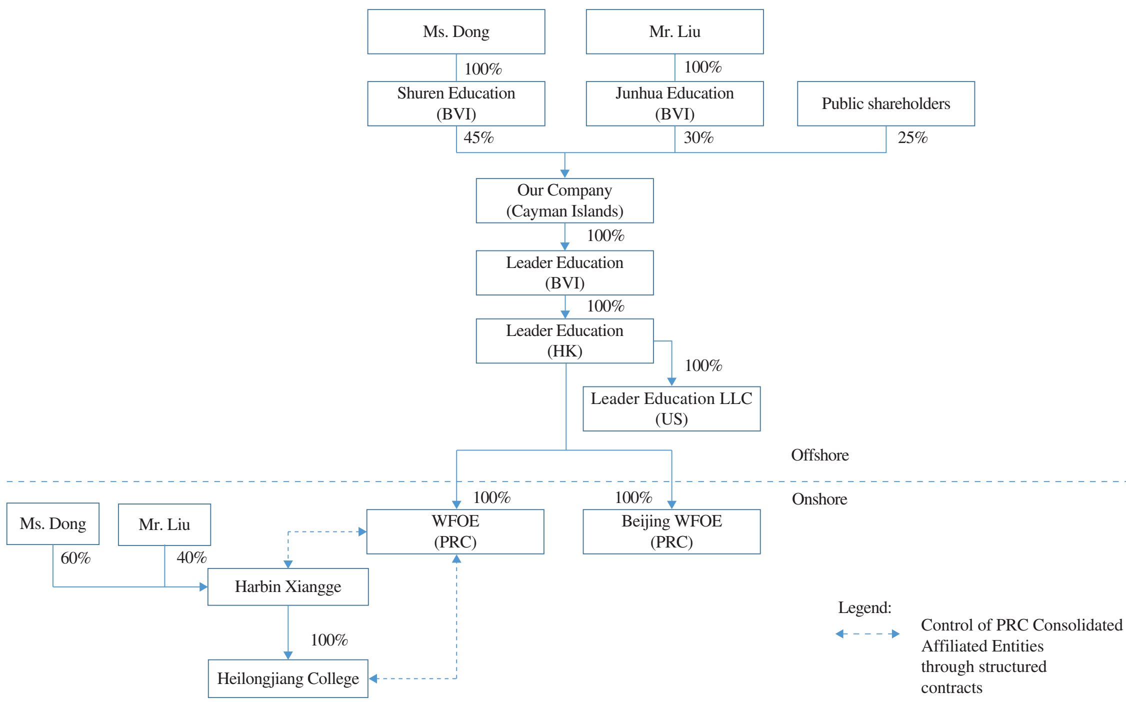
GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

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

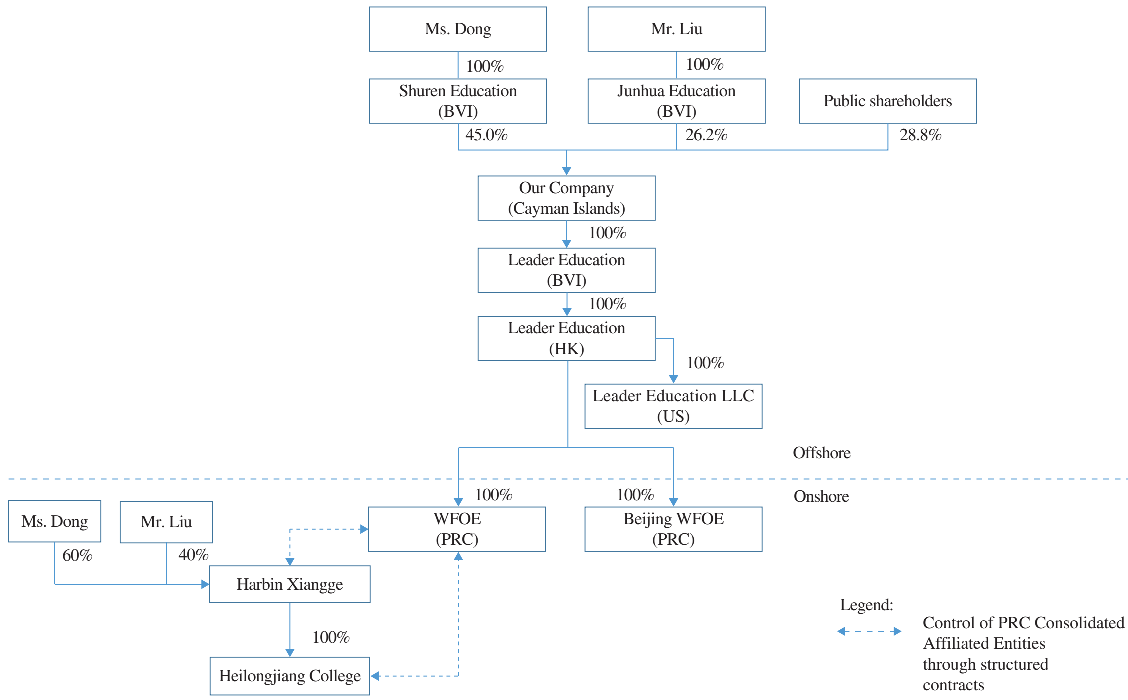


GROUP STRUCTURE UPON THE LISTING

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



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



SCHOOL TO BE ESTABLISHED/INVESTED

New School in the United States

With a view to building our presence overseas and creating synergies with our school in China, we plan to expand our network abroad by establishing a degree-granting higher education institution in the State of Illinois (the "US School") to provide programs focusing on business studies. On October 15, 2019, Leader Education LLC was established in Chicago, Illinois and its sole member is Leader HK. Leader Education LLC will operate and manage the US school to be established. We have engaged an agent to assist us in, among others, designing the education program to be offered by the US School and filling applications with the Illinois Board of Higher Education (IBHE) regarding the establishment of the US School. On November 14, 2019, we attended the orientation meeting with the IBHE. On February 21, 2020, we filed a notice of intent for operating authority to the IBHE and expect to file a formal operating authority application with the IBHE before the end of the validity period of the filed notice of intent (which is one year from the date of its filing). We have expended approximately US$7,400 in connection with our establishment of the US School as of the Latest Practicable Date and subject to, among others, approval process of the IBHE and the development of the COVID-19 situation in the US, we expect to expend up to approximately US$45,400 in aggregate by the end of 2020. For further information, see "Structured Contracts – Background of the Structured Contracts – Plan to Comply with the Qualification Requirement" in this prospectus.

SAFE REGISTRATION

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

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

As advised by our PRC Legal Advisors, Ms. Dong and Mr. Liu who are the shareholders of the Overseas SPVs in our Group have completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on June 26, 2019 and June 28, 2019 respectively.

M&A RULES

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

Given that (i) each of Beijing WFOE and WFOE was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger nor acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the Corporate Reorganization under the M&A Rules, as advised by our PRC Legal Advisors, the establishment of Beijing WFOE, WFOE and the Corporate Reorganization are not subject to the M&A Rules, and the Listing of our Company does not require approvals from CSRC and MOFCOM under the M&A Rules.

BACKGROUND OF THE STRUCTURED CONTRACTS

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

Higher Education

According to the Negative List, higher education is restricted for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction").

We had fully complied with the Foreign Control Restriction in respect of Heilongjiang College on the basis that (a) the principal of Heilongjiang College is a PRC national; and (b) all the members of the board of directors are PRC nationals.

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

Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction").

With the assistance of our PRC Legal Advisors, we consulted the Education Department of Heilongjiang Province (黑龍江省教育廳) on July 1, 2019, being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the Deputy Head of Policy and Regulation Division (政策法規處) at the Education Department of Heilongjiang Province that, among others:

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

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

(iii) the Education Department of Heilongjiang Province will not approve an application to establish a new Sino-Foreign Joint Venture Private School with a legal person status (including the conversion of the PRC Operating School into a Sino-Foreign Joint Venture Private School); and

(iv) the execution of the Structured Contracts does not require approval from the education authorities.

Our PRC Legal Advisors are of the view that the official interviewed, being the director and person-in-charge of the Office for Management of Private Education in Heilongjiang Province* (黑龍江省民辦教育管理辦公室負責人、主任) giving the confirmation relating to the above issues is authoritative. Furthermore, as advised by our PRC Legal Advisors, (i) under the relevant PRC laws and regulations, private schools in the PRC (including Heilongjiang College) shall possess a legal person status, and (ii) based on the searches conducted on the Information Platform for Supervisory Work of MOE for Sino-Foreign Joint Venture Private School* (中華人民共和國教育部中外合作辦學監管工作信息平台) by our PRC Legal Advisors, as of the Latest Practicable Date, no Sino-Foreign Joint Venture Private School with a legal person status has been approved in Heilongjiang Province.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize our PRC Operating School or any of the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School, or convert our PRC Operating School or any of the schools to be newly established or invested by us into a Sino-Foreign Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities following the Listing to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "– Background of the Structured Contracts – Circumstances in which we will unwind the Structured Contracts" and "– Background of the Structured Contracts – Plan to Comply with the Qualification Requirement" in this section for details.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidated financial results of our PRC Operating School, which provides higher education service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Consolidated Affiliated Entities has been legally established and except for those disclosed under "– Legality of the Structured Contracts – PRC Legal Opinions" under this section and "Risk Factors – Risks Relating to our Structured Contracts" of this prospectus, the Structured Contracts in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate our high education do not render our higher education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the education authority in Heilongjiang Province during our consultation with it that the execution of Structured Contracts do not require its approval. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, although no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

Circumstances in which we will unwind the Structured Contracts

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

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, or (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations and subject to approval from the competent authorities at the relevant time:

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

– in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-Foreign Joint Venture Private School(s), the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we are ineligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Structured Contracts. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Structured Contracts; and

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

In addition, pursuant to the Exclusive Call Option Agreement, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), the WFOE shall exercise the call option in full to hold all of the interest in the PRC Consolidated Affiliated Entities and unwind the structured contracts accordingly. See "– Termination of the Structured Contracts" in this section for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the relevant official of the Education Department of Heilongjiang Province, there are no implementing measures or specific guidance on the Qualification Requirement. As of the Latest Practicable Date, we have no experience in operating a higher education institution outside the PRC and accordingly, as advised by our PRC Legal Advisors, we have not been able to fulfill the Qualification Requirement. Nevertheless, having considered that (i) the Education Department of Heilongjiang Province has confirmed that there are no implementing measures or specific guidance on the Qualification Requirement, (ii) there are only general principles that a school sponsor which applies for establishing a Sino-Foreign Joint Venture School shall have relevant qualification and be able to provide high quality education services, (iii) the US School will be established as a higher education institution in accordance with local regulations of the State of Illinois, the U.S., and will provide higher education academic certificates recognized by the local government and it is expected that formal operating authority application will be made to the relevant authority within the one-year validity period of the notice of intent filed on February 21, 2020, (iv) we have sought assistance from our PRC Legal Advisors to understand and evaluate the Qualification Requirement and the attitude of the competent authority in the PRC, and (v) we have expended and set aside certain financial resources and other resources towards fulfilling the Qualification Requirement (including efforts on the establishment of the US School as set forth below), our PRC Legal Advisors are of the view that, although it is not possible for the Education Department of Heilongjiang Province to approve our application to establish a Sino-Foreign Joint Venture School due to lack of implementation measures or specific guidance, we have taken reasonable and appropriate steps towards fulfilling the Qualification Requirement.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. On October 15, 2019, Leader Education LLC was established in Chicago, Illinois, the sole member of which is Leader HK. Leader Education LLC will operate and manage the US School to be established. We have engaged an agent, (the "Agent"), who is an Independent Third Party, to assist us in, among others, designing the education program to be offered by the US School and submitting applications with the Illinois Board of Higher Education (IBHE) regarding the establishment of the US School. On May 22, 2020, we entered into a service agreement with the Agent, pursuant to which the Agent shall provide a range of supporting services related to the preparation, establishment and operation of the US School and shall timely report the application progress with IBHE to Leader US and make adjustments to the work plan or proposal based on the requests of Leader US. We will pay the Agent a service fee of US$2,000 per month, provide all required information and cooperate with the Agent to enable it to provide the services contemplated under the service agreement.

In deciding which agent to engage, the Company has considered that, among others, the senior management of the Agent have resources to recruit potential teachers for the US School leveraging on their business connections. The senior management of the Agent have also arranged to provide faculty training programs to certain teachers of Heilongjiang College in 2018 and 2019 and have provided services of good quality. To our best information and knowledge, except for the business relationship disclosed herein, there is no other past or present relationships (including, without limitation, family, employment, financial or otherwise with interests) between the Agent and us (including its and our subsidiaries, shareholders, directors, senior management or their respective associates).

On November 14, 2019, we attended the orientation meeting with the IBHE. On February 21, 2020, we filed a notice of intent for operating authority to the IBHE and expect to file a formal application with the IBHE before the end of the validity period of the filed notice of intent (which is one year from the date of its filing). Subject to, among others, the completion of the relevant approval process, the enrollment of the first class of the US School is expected to be in the second half of 2022 and we expect to initially recruit 50 students per year. The administration of the US School will be overseen by Ms. Dong, one of our executive Directors, with the assistance of the Agent. We have expended approximately US$7,400 in connection with our establishment of the US School as of the Latest Practicable Date and subject to, among others, approval process of the IBHE and the development of the COVID-19 situation in the US, we expect to invest approximately US$398,000 in aggregate in connection with the establishment and initial operation of the US School (which represents less than 5% of our Group's cost of sales for the year ended August 31, 2019). Subject to, among others, the timing of obtaining approval from the IBHE, the response received on the programs offered by the US School, our ability to hire qualified teachers and recruit students and the tuition fee rates the US School will be able to charge at the relevant time, we estimate the breakeven period and investment payback period of the US School will be approximately two to three years and four to five years, respectively. For details of the regulatory environment in Illinois for the operation of a private postsecondary school, see "Regulatory Overview – Regulations on Private Postsecondary Education in the State of Illinois of the United States" in this prospectus.

Based on information available to us, we have considered the potential impacts of the outbreak of COVID-19 in the US and adopted a conservative approach in planning or budgeting (as the case may be) for (i) the expected timing of (a) filing the formal application with IBHE and (b) the commencement of the first class of the US School and (ii) the expected investment, breakeven period and investment payback period as mentioned above. As of the Latest Practicable Date, we are in the process of preparing materials for filing the formal application with IBHE and none of the above items has been materially affected by the COVID-19 situation in the US.

In the opinion of our PRC Legal Advisors, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by Leader Education LLC, i.e. the US School or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we will be able to operate our school in the PRC directly through the new school operated by Leader Education LLC, i.e. the US School or such other educational institution subject to the approval from the competent education authorities.

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

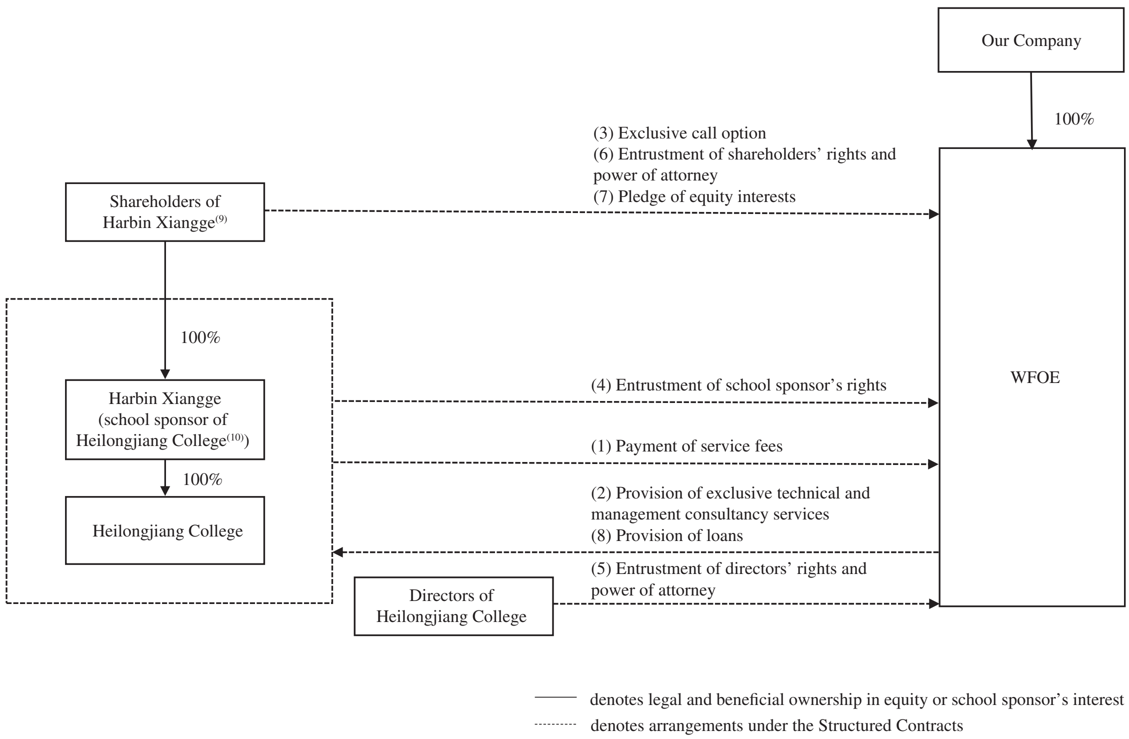
(i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

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

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on February 6, 2020, our wholly-owned subsidiary, the WFOE, entered into various agreements that constitute the Structured Contracts with, among others, our PRC Consolidated Affiliated Entities, under which substantially all economic benefits arising from the business of our PRC Consolidated Affiliated Entities are transferred to the WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Consolidated Affiliated Entities to the WFOE. Harbin Xiangge (which is the School Sponsor) and its shareholders are parties to certain agreements which constitute the Structured Contracts to ensure that the relevant interests of our PRC Operating School are actually controlled by the WFOE.

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



Notes:

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

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

3. Exclusive call option to acquire all or part of the equity interest or school sponsor's interest in our PRC Consolidated Affiliated Entities. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" in this prospectus for details.

4. Entrustment of school Sponsor's rights in our PRC Operating School by Harbin Xiangge. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (8) School Sponsor's Powers of Attorney" in this prospectus for details.

5. Entrustment of directors' rights in our PRC Operating School by directors of our PRC Operating School including directors' powers of attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) School Sponsor's and Directors' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (9) Directors' Powers of Attorney" in this prospectus for details.

6. Entrust of Shareholders' right including Shareholders' power of attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Shareholders' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) Shareholders' Powers of Attorney" in this prospectus for details.

7. Pledge of equity interest by the shareholders of Harbin Xiangge of their equity interest in Harbin Xiangge. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Equity Pledge Agreements" in this prospectus for details.

8. Provision of loans by the WFOE to Harbin Xiangge. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (10) Loan Agreement" in this prospectus for further details.

9. Harbin Xiangge is beneficially owned as to 40% and 60% by Mr. Liu and Ms. Dong, respectively.

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

Under the Structured Contracts, each of our PRC Consolidated Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement and Loan Agreement with, among others, the WFOE, pursuant to which each of our PRC Consolidated Affiliated Entities will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by the WFOE to any of our PRC Consolidated Affiliated Entities, the respective service fee will be paid by such Consolidated Affiliated Entities to the WFOE directly. In addition, in order to prevent the leakage of assets and values of our PRC Operating School, the shareholders of Harbin Xiangge (which is in turn the School Sponsor of Heilongjiang College) and our PRC Operating School have undertaken that, without the prior written consent of the WFOE or its designated party, the shareholders of Harbin Xiangge shall not, among others, distribute dividends or other payments to the shareholders of Harbin Xiangge. For further details, see "– Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Structured Contracts

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

(1) Business Cooperation Agreement

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

To ensure the due performance of the Structured Contracts, each of our PRC Consolidated Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the shareholders of Harbin Xiangge agreed to procure our PRC Consolidated Affiliated Entities to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

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

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

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

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

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

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

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

(h) upon the WFOE's request, to provide all relevant information regarding the management, business operation and financial status of our PRC Consolidated Affiliated Entities and timely inform WFOE of any situation where a material adverse change in the above-mentioned aspects has occurred or may occur, and use its best endeavor to prevent the occurrence of such situation and/or increase in losses resulted;

(i) upon the WFOE's request, to purchase and maintain insurance policies from its agreed insurers to protect the assets and business of our relevant PRC Consolidated Affiliated Entities, the amount of type of which should be consistent with those purchased by companies and schools operating similar business or owning similar assets or property in the same region where the PRC Consolidated Affiliated Entities locate; and

(j) to deliver all stamps, chops and original copy of registration documents of Heilongjiang College as well as other documents which, in the opinion of the WFOE, are required for the purpose of the Structured Contracts to WFOE for safekeeping and control.

In addition, pursuant to the Business Cooperation Agreement, each of the shareholders of Harbin Xiangge undertakes to the WFOE that:

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

(b) in the event of the dissolution or liquidation of our PRC Consolidated Affiliated Entities, (i) the WFOE and/or its authorized representative shall have the right to exercise all school sponsor's right on behalf of Harbin Xiangge and/or the shareholders' rights in our PRC Consolidated Affiliated Entities; (ii) sponsor and/or the shareholders of our PRC Consolidated Affiliated Entities shall transfer all assets received or receivable in its capacity as school sponsor or shareholders of our PRC Consolidated Affiliated Entities as a result of the dissolution or liquidation of our PRC Consolidated Affiliated Entities to the WFOE or other persons designated by us at nil consideration, and instruct the liquidators of the relevant PRC Consolidated Affiliated Entities to transfer such assets directly to the WFOE; (iii) if consideration is required for such transfer under the then applicable PRC laws, sponsor and/or the shareholders of our PRC Consolidated Affiliated Entities shall compensate the WFOE or the person as designated by us the amount and guarantee that the WFOE or other persons as designated by us does not suffer any loss; and

(c) without the prior written consent of the WFOE, our PRC Consolidated Affiliated Entities shall not declare or pay to the shareholders of Harbin Xiangge any reasonable return or other interest or benefit. In the event that the shareholders of Harbin Xiangge receive any reasonable return or other interest or benefit, the shareholders of Harbin Xiangge shall unconditionally and without compensation transfer such amount to the WFOE.

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, Mr. Liu and Ms. Dong as the shareholders of Harbin Xiangge and each of our PRC Consolidated Affiliated Entities have undertaken that, without the prior written consent of the WFOE or its designated party, the shareholders of Harbin Xiangge or our PRC Consolidated Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our

PRC Consolidated Affiliated Entities or (ii) on the ability of the shareholders of Harbin Xiangge and each of our PRC Consolidated Affiliated Entities to perform the obligations under the Structured Contracts. Such activities and transactions include, without limitation:

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

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

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

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

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Consolidated Affiliated Entities or its subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB500,000;

(f) change or removal of any director, supervisor or senior management of any of our PRC Consolidated Affiliated Entities or its subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights of any of our PRC Consolidated Affiliated Entities or its subsidiaries to any third party other than the WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB500,000;

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

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

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

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

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

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

(n) distribution of dividend, reasonable return or other payments to the shareholder or sponsor of any of our PRC Consolidated Affiliated Entities or its subsidiaries;

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

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

(q) transfer of his/her/its rights and obligations under the Structured Contracts to any third party other than the WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Structured Contracts with any third party by the shareholders of Harbin Xiangge, any of our PRC Consolidated Affiliated Entities or its subsidiaries.

Furthermore, each of the shareholders of Harbin Xiangge undertakes to the WFOE that, unless with the prior written consent of the WFOE, the shareholders of Harbin Xiangge (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Consolidated Affiliated Entities and its subsidiaries ("**Competing Business**"), (ii) use information obtained from any of our PRC Consolidated Affiliated Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the shareholders of Harbin Xiangge further consents and agrees that, in the event that any of them (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, the WFOE and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts. If the WFOE does not exercise such option, the shareholders of Harbin Xiangge shall cease the operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement

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

Furthermore, the WFOE agreed to provide exclusive management consultancy services to our PRC Consolidated Affiliated Entities, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services reasonably requested by our PRC Consolidated Affiliated Entities.

In consideration of the technical and management consultancy services provided by the WFOE, our PRC Consolidated Affiliated Entities agreed to pay on an annual basis the relevant services fees to WFOE equal to (a) as for Heilongjiang College, all of its amount of surplus from operations (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by the law) the legally compulsory development fund (if required by the law)) and other fees required by the law), (b) as for Harbin Xiangge, all of their net profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law)). The compulsory development fund is included as statutory surplus reserve at our Group's level and retained at schools' level. The WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Consolidated Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Consolidated Affiliated Entities do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, the WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by the WFOE to our PRC Consolidated Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between the WFOE and other parties.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement entered into among WFOE, our PRC Consolidated Affiliated Entities and Mr. Liu and Ms. Dong as the shareholders of Harbin Xiangge, the shareholders of Harbin Xiangge have unconditionally and irrevocably granted the WFOE or its designated purchaser the right to purchase all or part of the school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities, as the case may be ("Equity Call Option"). The purchase price payable by the WFOE in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. The WFOE or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities as it decides at any time.

In the event that PRC laws and regulations allow the WFOE or us to directly hold all or part of the equity interest in our PRC Consolidated Affiliated Entities and operate private education business in the PRC, the WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by the WFOE or us under PRC laws and regulations.

The shareholders of Harbin Xiangge have further undertaken to the WFOE that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities without the prior written consent of the WFOE;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor and/or capital investment in our PRC Consolidated Affiliated Entities without the prior written consent of the WFOE;

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

(d) shall not dispose of or procure the management of our PRC Consolidated Affiliated Entities to dispose of any of the assets of our PRC Consolidated Affiliated Entities without the prior written consent of the WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB500,000;

(e) shall not terminate or procure the management of our PRC Consolidated Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB500,000, the Structured Contracts and any agreement of similar nature or content to the Structured Contracts) or enter into any other contracts which may contradict such material contracts without the prior written consent of the WFOE;

(f) shall not procure any of our PRC Consolidated Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Consolidated Affiliated Entities without the prior written consent of the WFOE, save for transactions which are in the ordinary course of business of our PRC Consolidated Affiliated Entities with the amount involved not more than RMB500,000, or transactions which have been disclosed to the WFOE and approved by the WFOE;

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

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

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

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

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

(l) shall sign all documents and take all necessary actions to facilitate transfer of its school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities to the WFOE or its designated purchaser;

(m) shall take all such actions to facilitate our PRC Consolidated Affiliated Entities in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by the shareholders of Harbin Xiangge on its part;

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

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

(4) Equity Pledge Agreement

Equity Pledge Agreement (I)

Pursuant to the Equity Pledge Agreement (I), each of Mr. Liu and Ms. Dong as the shareholders of Harbin Xiangge unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in Harbin Xiangge together with all related rights thereto to the WFOE as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOE as a result of any event of default on the part of our PRC Consolidated Affiliated Entities or the shareholders of Harbin Xiangge (the amount of such loss shall be determined by the WFOE at its absolute discretion to the extent permitted by the PRC law and its determination shall be binding on Mr. Liu and Ms. Dong) and all expenses incurred by the WFOE as a result of enforcement of the obligations of our PRC Consolidated Affiliated Entities and the shareholders of Harbin Xiangge under the Structured Contracts (the "Secured Indebtedness").

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

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

(a) any of the shareholders of Harbin Xiangge and our PRC Consolidated Affiliated Entities commits any breach of any obligations under the Structured Contracts;

(b) any representations or warranties or information provided by any of the shareholders of Harbin Xiangge and our PRC Consolidated Affiliated Entities under the Structured Contracts is proved incorrect or misleading; or

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

Upon the occurrence of an event of default as described above, the WFOE shall have the right to enforce the Equity Pledge Agreement (I) by written notice to the shareholders of Harbin Xiangge in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, the WFOE may request the shareholders of Harbin Xiangge to transfer all or part of his or her equity interest in Harbin Xiangge to any entity or individual designated by the WFOE at the lowest consideration permissible under the PRC laws and regulations, while the shareholders of Harbin Xiangge irrevocably undertake that in the event that the consideration paid by the WFOE or its designated purchaser for the transfer of all or part of the equity interest in Harbin Xiangge exceeds RMB0, they shall pay such excess amount to WFOE or its designated entity;

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

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

The Equity Pledge Agreement (I) was effective upon its date of execution (i.e. February 6, 2020).

Equity Pledge Agreement (II)

In the course of registration of the pledges under the Equity Pledge Agreement (I) with the relevant PRC authority, the PRC authority requested for certain changes to the terms of the Equity Pledge Agreement (I), in particular, the amount of Secured Indebtedness should be specified for entry into the registration system. On March 25, 2020, WFOE, Harbin Xiangge, Mr. Liu and Ms. Dong entered into the Equity Pledge Agreement (II).

The Equity Pledge Agreement (II) contains substantially the same terms as the Equity Pledge Agreement (I) including the scope of the Secured Indebtedness, except that the Equity Pledge Agreement (II) specifies that (a) the Secured Indebtedness registered with the PRC authority has a principal amount of RMB200 million and (b) the pledges under the Equity Pledge Agreement (II) shall commence from March 26, 2020 and expire on February 5, 2030 and if the contractual obligations are not fully satisfied or the Secured Indebtedness is not fully repaid by then, the pledgors shall make another registration for the pledges until the full satisfaction of the contractual obligations or repayment of the Secured Indebtedness. Since there is no specific requirement or guidance under the relevant PRC laws and regulations in determining the aforementioned principal amount, the Company has primarily considered the practice adopted by similar companies to the information of the Company and this amount also covered the net asset value of Harbin Xiangge (of approximately RMB32.9 million) as of February 29, 2020.

Our PRC Legal Advisors have advised that, according to the relevant PRC laws and regulations, any changes to the amount of Secured Indebtedness can be effected upon consent by the parties to the Equity Pledge Agreement (II) and there is no legal requirement to file any registration following such amendment. Following the entry into the Supplemental Equity Pledge Agreement by the parties to the Equity Pledge Agreement (II), the scope of the Secured Indebtedness is reaffirmed as all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOE as a result of any event of default on the part of our PRC Consolidated Affiliated Entities or the shareholders of Harbin Xiangge (the amount of such loss shall be determined by the WFOE at its absolute discretion to the extent permitted by the PRC law and its determination shall be binding on Mr. Liu and Ms. Dong) and all expenses incurred by the WFOE as a result of enforcement of the obligations of our PRC Consolidated Affiliated Entities and the shareholders of Harbin Xiangge under the Structured Contracts. In other words, the amount of Secured Indebtedness has effectively covered all damages payable and liabilities owed to us in the event of default under the Structured Contracts by our PRC Consolidated Affiliated Entities and the shareholders of Harbin Xiangge, and such amount shall be determined by WFOE to the extent permitted by the PRC law.

The Equity Pledge Agreement (II) is effective upon the date of its execution (i.e. March 25, 2020). The registration of the pledges under the Equity Pledge Agreement (II) with the PRC authority was completed on March 31, 2020.

Supplemental Equity Pledge Agreement

On April 5, 2020, WFOE, Harbin Xiangge, Mr. Liu and Ms. Dong entered into the Supplemental Equity Pledge Agreement to confirm the understanding among the parties to the Equity Pledge Agreement (II). Pursuant to the Supplemental Equity Pledge Agreement, the parties agreed that, among others, (a) the Equity Pledge Agreement (I) had been terminated upon the date of execution of the Equity Pledge Agreement (II) and (b) the scope of the Secured Indebtedness is reaffirmed, whilst the amount of the Secured Indebtedness registered with the PRC authority (set at RMB200 million) is for the purpose of registration only.

The Supplemental Equity Pledge Agreement became effective on April 5, 2020, its execution date. Our PRC Legal Advisors have confirmed that the Supplemental Equity Pledge Agreement is in compliance with the relevant PRC laws and regulations and is legal, valid and enforceable.

Under the Structured Contracts, there is no equity pledge arrangement between the WFOE and Harbin Xiangge over the school sponsor's interest in Heilongjiang College. As advised by our PRC Legal Advisors, if we were to make such an equity pledge arrangement under which Harbin Xiangge pledges its school sponsor's interest in Heilongjiang College in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to the relevant school sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

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

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

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the shareholders of Harbin Xiangge have further undertaken to the WFOE that, among others, they shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities without prior written consent of the WFOE. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" in this prospectus for details.

(5) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of Mr. Liu and Ms. Dong has irrevocably, unconditionally and exclusively authorized and entrusted the WFOE to exercise all of his/her respective rights as shareholders of Harbin Xiangge to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Harbin Xiangge; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Harbin Xiangge; (c) the right to sign all shareholders' resolutions and other legal documents which the shareholders of Harbin Xiangge have authority to sign in its capacity as shareholders of Harbin Xiangge as the case may be; (d) the right to instruct the directors and legal representative of Harbin Xiangge, as the case may be, to act in accordance with the instruction of the WFOE; (e) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Harbin Xiangge, as the case may be; (f) the right to handle the legal procedures of registration, approval and licensing of Harbin Xiangge, as the case may be, at the SAIC or other government regulatory departments; (g) the decision to transfer or otherwise dispose the equity interest in Harbin Xiangge held by its shareholders; and (h) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Harbin Xiangge as amended from time to time.

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

(6) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the shareholders of Harbin Xiangge in favor of the WFOE, each of the shareholders of Harbin Xiangge authorized and appointed the WFOE, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as shareholders of the Harbin Xiangge. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Shareholders' Rights Entrustment Agreement" above.

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

(7) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement entered into among Harbin Xiangge, the school directors of Heilongjiang College nominated by Harbin Xiangge, Heilongjiang College and the WFOE, Harbin Xiangge, as the school sponsor of Heilongjiang College, irrevocably, unconditionally and exclusively authorized and entrusted the WFOE to exercise all his/her/its rights as the school sponsor of Heilongjiang College to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of Heilongjiang College; (b) the right to appoint and/or elect supervisors of Heilongjiang College; (c) the right to understand the operation and financial situation of Heilongjiang College; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of Heilongjiang College; (e) the right to obtain reasonable returns or distribution of profits (if any) as school sponsor Heilongjiang College; (f) the right to acquire residue assets upon liquidation of Heilongjiang College; (g) the right to transfer school sponsors' interest in accordance with the laws; (h) the right to elect Heilongjiang College as a for-profit or not-for-profit school pursuant to the PRC law and regulations; (i) the right to exercise the voting rights as a school sponsor upon bankruptcy, liquidation, dissolution or termination of Heilongjiang College; (j) the right to handle the legal procedures of registration, approval and licensing of Heilongjiang College at the education department, the department of civil affairs or other government regulatory departments; and (k) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each director of Heilongjiang College as nominated by Harbin Xiangge (the "Appointees") has irrevocably, unconditionally and exclusively, authorized and entrusted the WFOE to exercise all his/her rights as directors of Heilongjiang College and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors of Heilongjiang College as representatives appointed by Harbin Xiangge; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of Heilongjiang College; (c) the right to propose to convene interim board meetings of each of Heilongjiang College; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Harbin Xiangge have authority to sign in his/her capacity as directors of Heilongjiang College; (e) the right to instruct the legal representative and financial and business responsible persons of Heilongjiang College to act in accordance with the instruction of the WFOE; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of Heilongjiang College; (g) the right to handle the legal procedures of registration, approval and licensing of Heilongjiang College at the education department, the department of civil affairs or other government regulatory departments; (h) the right to handle the legal procedures of registration, approval and licensing of Heilongjiang College at the education department, the department of civil affairs or other government regulatory departments and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of Heilongjiang College as amended from time to time.

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

(8) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by Harbin Xiangge in favor of the WFOE, Harbin Xiangge authorized and appointed the WFOE as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Heilongjiang College. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) School Sponsor's and Directors' Rights Entrustment Agreement" above.

The WFOE shall have the right to further delegate the rights so delegated to the directors of the WFOE or other designated person. Harbin Xiangge irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the subdivision, merger, winding up, consolidation, liquidation or other similar events of Harbin Xiangge. The School Sponsor's Powers of Attorney shall constitute part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(9) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of the WFOE, each of the Appointees authorized and appointed the WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Heilongjiang College. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) School Sponsor's and Directors' Rights Entrustment Agreement" above.

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

(10) Loan Agreement

Pursuant to the Loan Agreement entered into among WFOE, Harbin Xiangge and Heilongjiang College, the WFOE agreed to provide interest-free loans to Harbin Xiangge in accordance with the PRC laws and regulations and Harbin Xiangge agreed to utilize the proceeds of such loans to contribute as capital of Heilongjiang College in its capacity as school sponsor thereof in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by the WFOE on behalf of Harbin Xiangge if permitted in practice.

The terms of the Loan Agreement shall continue until all interest of our PRC Consolidated Affiliated Entities are transferred to the WFOE or its designee and/or our Company or our designee and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of the WFOE. The loans will become due and payable upon the WFOE's demand under any of the following circumstances, as the case may be: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Harbin Xiangge, (ii) a winding-up or liquidation application has been filed by or against Harbin Xiangge, (iii) Harbin Xiangge becoming insolvent or incurring any other significant debt which may affect its ability to repay the loan under the relevant Loan Agreement, (iv) the WFOE or its designee exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations, or (v) any of Harbin Xiangge, Heilongjiang College or other relevant signatory to the Loan Agreement or any of the Structured Contracts commits any breach of any obligations under any respective agreement, or any warranties provided by any of Harbin Xiangge, Heilongjiang College or such relevant signatory under any respective agreement is proved incorrect or inaccurate. As advised by our PRC Legal Advisors, interest-free loans granted by the WFOE to Harbin Xiangge is not in violation of the applicable PRC laws and regulations.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that, among others:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China

International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest, school sponsors' interest and property interest and other assets of Harbin Xiangge or Heilongjiang College, as the case may be, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of Harbin Xiangge or Heilongjiang College, as the case may be; and

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

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

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our PRC Consolidated Affiliated Entities, and school sponsor's interests in Heilongjiang College in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief or winding-up of each of our PRC Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of our PRC Consolidated Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

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

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

As a result of the above, in the event that our PRC Consolidated Affiliated Entities or the shareholders of Harbin Xiangge breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors – Risks Relating to our Structured Contracts” in this prospectus for details.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE SHAREHOLDERS OF HARBIN XIANGGE

Pursuant to the undertakings contained in Business Cooperation Agreement, each of Mr. Liu and Ms. Dong, as the shareholders of Harbin Xiangge, has irrevocably undertaken to the WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in Harbin Xiangge, he/she shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC CONSOLIDATED AFFILIATED ENTITIES

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of our PRC Consolidated Affiliated Entities, the shareholders of Harbin Xiangge undertake that, among others, the WFOE and/or its designee shall have the right to exercise all school sponsor's rights and/or to exercise all shareholders' rights on behalf of the shareholders of Harbin Xiangge, as the case may be, and shall instruct all of our PRC Consolidated Affiliated Entities to transfer assets received under PRC laws directly to the WFOE and/or our designee. See “Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement” in this prospectus for details.

Furthermore, the WFOE has been irrevocably authorized and entrusted to exercise the rights as school sponsor of Heilongjiang College and the rights of the Appointees as directors of Heilongjiang College and the rights as shareholders of Harbin Xiangge. See “Structured Contracts – Operation of the Structured Contracts – Summary of Material Terms of the Structured Contracts – (7) School Sponsor's and Directors' Rights Entrustment Agreement” and “Structured Contracts – Operation of the Structured Contracts – Summary of Material Terms of the Structured Contracts – (5) Shareholders' Rights Entrustment Agreement” in this prospectus for details.

LOSS SHARING

In the event that our PRC Consolidated Affiliated Entities incur any loss or encounters any operational crisis, the WFOE may, but is not obliged to, provide financial support to our PRC Consolidated Affiliated Entities.

None of the agreements constituting the Structured Contracts provide that our Company or its wholly-owned PRC subsidiary, the WFOE, is obligated to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Further, our PRC Consolidated Affiliated Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or the WFOE, is not expressly required to share the losses of our PRC Consolidated Affiliated Entities or provide financial support to our PRC Consolidated Affiliated Entities. Despite the foregoing, given that our PRC Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our PRC Consolidated Affiliated Entities suffer losses. However, as provided in the Business Cooperation Agreement and/or the Exclusive Option Agreement, without the prior written consent of the WFOE, the shareholders of Harbin Xiangge or our PRC Consolidated Affiliated Entities (as the case may be) shall not, among others, (i) sell, transfer, lend or authorize the use or disposal of any assets or rights of any of our PRC Consolidated Affiliated Entities or its subsidiaries to any third party except in the ordinary course of business and provided that the transaction amount is less than RMB500,000; (ii) provide any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Consolidated Affiliated Entities or its subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB500,000; (iii) increase or reduce or agree to the increase or reduction of capital investment as school sponsor and/or capital investment in our PRC Consolidated Affiliated Entities and (iv) terminate or procure the management of our PRC Consolidated Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB500,000, the Structured Contracts and any agreement of similar nature or content to the Structured Contracts). Accordingly, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from our PRC Consolidated Affiliated Entities can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

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

In the event that PRC laws and regulations allow the WFOE or us to directly hold all or part of the interest of Harbin Xiangge in Heilongjiang College and/or all as part of the equity interest in Harbin Xiangge and operate private education business in the PRC, the WFOE shall exercise the Equity Call Option as soon as practicable and the WFOE or its designated party shall purchase such amount of equity interest and school sponsor's interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsor's interest that the shareholders Harbin Xiangge (directly and indirectly) hold in Heilongjiang College by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

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

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

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

(a) each of our PRC Consolidated Affiliated Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, each of the shareholders of Harbin Xiangge is a natural person with full civil and legal capacity. Each of our PRC Consolidated Affiliated Entities has also obtained all material approvals for conducting their business as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties under PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of our PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, in particular, the Structured Contracts do not violate the provisions of the Contract Law of the People's Republic of China (《中華人民共和國合同法》), promulgated by the NPC on March 15, 1999 and implemented on October 1, 1999 (the "PRC Contract Law") including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Consolidated Affiliated Entities and the WFOE;

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

(e) the consummation of the Structured Contracts does not violate the M&A Rules.

As of the Latest Practicable Date, WFOE is subject to a PRC income tax rate of 25% and a value-added tax rate of 3%, which have not been affected by the execution of the Structured Contracts after the end of the Track Record Period.

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

Directors' Views on the Structured Contracts

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

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of our PRC Consolidated Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisors, the Directors are of the view that the Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this section.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the Listing and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Structured Contracts are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this prospectus for further details.

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC OPERATING SCHOOLS

According to IFRS 10 "Consolidated Financial Statements", a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Consolidated Affiliated Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Consolidated Affiliated Entities. The basis of combining the results of our PRC Consolidated Affiliated Entities is disclosed in note 2.1 of Section II to the Accountants' Report. Our Directors consider that our Company can combine the financial results of our PRC Consolidated Affiliated Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the 13th National People's Congress approved the Foreign Investment Law which came into effect on January 1, 2020. The Foreign Investment Law replaced the current law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Wholly Foreign-owned Enterprise Law to become the legal foundation for foreign investment in the PRC.

Impact and Potential Consequences of the Foreign Investment Law on Our Structured Contracts

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

For the details of risks relating to the Foreign Investment Law, see "Risk Factors – Risks relating to our Structured Contracts – Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations" in this prospectus for further details of risks relating to the Foreign Investment Law.

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

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

If the operation of higher education is in the Negative List, the Structured Contracts may be viewed as restricted foreign investment. Although structured contracts currently are not specified as foreign investment under the Foreign Investment Law, the Structured Contracts may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define structured contracts as a form of foreign investment while the operation of higher education is still in the Negative List. As a result, our Group would not be able to operate our PRC Consolidated Affiliated Entities through the Structured Contracts and we would lose our rights to receive the economic benefits of our PRC Consolidated Affiliated Entities. As a result, the financial results of our PRC Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under structured contracts and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the structured contracts.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

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

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

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

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

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the foreign investment law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts – Background of the Structured Contracts" and the latest development of the foreign investment law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and

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

In addition, notwithstanding that our executive Directors, Mr. Liu and Ms. Dong are also the shareholders of Harbin Xiangge, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

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

OVERVIEW

We are a large private formal higher education service provider in Heilongjiang Province, the PRC. As measured by full-time student enrollment in the 2018/2019 school year, we ranked eighth among all private formal higher education service providers in Heilongjiang Province with a market share of approximately 7.5%, according to the Frost & Sullivan Report. During the Track Record Period and as of the Latest Practicable Date, we operated one school, Heilongjiang College in Harbin City, Heilongjiang Province. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, the total number of students enrolled at our school was 7,550, 7,800, 8,256 and 8,818, respectively, representing a CAGR of approximately 5.3%. As of February 29, 2020 and the Latest Practicable Date, we had a total of 8,807 and 6,739[(1)] students enrolled at our school, respectively, and employed 450 and 465 teachers, respectively.

According to the Frost & Sullivan Report, total revenue of private higher education industry in China has grown at a CAGR of 9.2%, from RMB82.9 billion in 2014 to RMB118.0 billion in 2018, and is expected to continue the momentum from 2018 to 2023 with a CAGR of 10.6%. The total revenue of private higher education industry in Heilongjiang Province, which is where approximately 70.0% of our newly admitted students for the 2019/2020 school year came from, increased from RMB1.6 billion in 2014 to RMB2.0 billion in 2018, representing a CAGR of 5.7%, and is expected to increase to RMB3.0 billion in 2023, representing a CAGR of 8.4% for the period from 2018 to 2023. We believe there is significant market potential for the growth of private higher education in China as well as in Heilongjiang Province and we are well-positioned to capture such growth opportunities by taking into consideration of the following factors:

- During the Track Record Period, we offered 26 majors in a wide selection of fields including the disciplines of engineering and business management. We have been constantly optimizing our course offerings and practical training programs and exploring the opportunities of school-enterprise cooperation to equip our students with the practical and readily applicable skills sought by prospective employers. With such efforts, the initial employment rate of the graduates of our undergraduate program increased from 78.7% in the 2016/2017 school year to 80.2% in the 2017/2018 school year, and further to 90.9% in the 2018/2019 school year, which resulted in an improvement of our ranking from sixth in the 2016/2017 school year to fourth in the 2017/2018 school year among all private higher education institutions in Heilongjiang Province, according to the Frost & Sullivan Report. We believe the improvement in our graduate placement mainly attests to the effectiveness of our educational approach, which enables us to enhance our reputation, raise our profile and attract more talented prospective students;

Note:

(1) The student enrollment figure of our school as of the Latest Practicable Date takes into consideration (i) 2,067 fourth-year students who graduated from our school in early July 2020; (ii) seven students who either withdrew from our school or temporarily suspended their study in the spring semester of 2019/2020 school year; and (iii) six students who resumed their enrollment at our school in the same semester.

- Our admission quota, which is the threshold for maximum student enrollment approved by the relevant education authorities, has increased from 2,219 in the 2016/2017 school year to 2,800 in the 2019/2020 school year, which ranked third among all private higher education institutions in Heilongjiang Province, according to the Frost & Sullivan Report. Given the fact that (i) we are generally able to effectively utilize our admission quota during the Track Record Period; and (ii) our school was the fastest growing private higher education institution that offers undergraduate programs in Heilongjiang Province in terms of CAGR of student enrollment from the 2016/2017 school year to the 2018/2019 school year, according to the Frost & Sullivan Report, and in anticipation of the further increase of our admission quota in the coming years with the introduction of new majors that were pending final approval from the MOE as of the Latest Practicable Date, we believe our student enrollment will maintain steady growth; and

- As of the Latest Practicable Date, our school operated two campuses, namely, our existing Songbei Campus and the new Hanan Campus, with an aggregate gross site area of approximately 542,009.04 sq.m., and had buildings with an aggregate gross floor area of approximately 308,694.63 sq.m. According to the Frost & Sullivan Report, our school ranked third in terms of gross floor area among all private higher education institutions in Heilongjiang Province. We believe our school is well prepared for any increase of student enrollment following the completion of the first phase of the new Hanan campus in September 2019, which upgraded our school's facilities and increased our student enrollment capacity of our school by approximately 4,440 to approximately 12,690 for the 2019/2020 school year.

We experienced steady growth in our revenue, net profit, student enrollment as well as tuition and boarding fee rates during the Track Record Period. Our revenue from continuing operations increased from approximately RMB107.7 million for the year ended August 31, 2017 to approximately RMB117.5 million for the year ended August 31, 2018 and further to approximately RMB138.2 million for the year ended August 31, 2019, representing a CAGR of approximately 13.3%. Our revenue from continuing operation increased from approximately RMB76.8 million for the six months ended February 28, 2019 to approximately RMB89.1 million for the six months ended February 29, 2020. Our net profit from continuing operations was RMB48.7 million, RMB57.2 million and RMB70.4 million for the years ended August 31, 2017, 2018 and 2019, respectively, representing a CAGR of approximately 20.2%. Our net profit from continuing operation amounted to RMB41.9 million and RMB30.5 million for the six months ended February 28, 2019 and February 29, 2020, respectively. Our student enrollment has increased from 7,550 for the 2016/2017 school year to 7,800 for the 2017/2018 school year, and further to 8,818 for the 2019/2020 school year. Our average tuition fee of the undergraduate program increased from approximately RMB13,144 for the year ended August 31, 2017 to approximately RMB15,492 for the year ended August 31, 2019.

OUR COMPETITIVE STRENGTHS

We are a large private formal higher education service provider offering comprehensive and applied science education in Heilongjiang Province with a solid reputation and possess strong growth potential.

We ranked eighth among all private formal higher education service providers in Heilongjiang Province, the PRC, as measured by full-time student enrollment in the 2018/2019 school year, according to the Frost & Sullivan Report. During the Track Record Period, our school experienced stable growth in full-time student enrollment. For the 2016/2017, 2017/2018 and 2018/2019 school years, we had a total of 7,550, 7,800 and 8,256 full-time students enrolled in our school, respectively, representing a CAGR of approximately 4.6% during this period. According to the Frost & Sullivan Report, our school was the fastest growing private higher education institution that offers undergraduate programs in terms of student enrollment during this period. For the 2019/2020 school year and as of February 29, 2020 and the Latest Practicable Date, we had a total of 8,818, 8,807 and 6,739[(1)] full-time students enrolled in our school, respectively. During the Track Record Period, we also experienced steady growth in our revenue, which increased from RMB107.7 million for the year ended August 31, 2017 to RMB117.5 million for the year ended August 31, 2018, and further to RMB138.2 million for the year ended August 31, 2019, representing a CAGR of approximately 13.3% during this period.

We believe that the comprehensive education programs we offer and the attractive job placement opportunities for graduates have enabled our school to draw keen interest from high-quality students from all over China. As of the Latest Practicable Date, we have recruited students from over 20 provinces, municipalities and autonomous regions in China, while approximately 70.0% of our newly admitted students for the 2019/2020 school year came from Heilongjiang Province. In addition, during the Track Record Period, the average National Higher Education Entrance Examination score achieved by the students admitted by our school was generally higher than the provincial National Higher Education Entrance Examination score thresholds. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, we had 2,082, 2,082, 2,150 and 2,563 newly admitted students enrolled in our school, respectively. During the Track Record Period, the average overall yield (報到率) of our school, which is calculated by dividing the total number of students who enrolled in our school by the total number of students who were admitted by our school, was approximately 91.5%, compared with an average overall yield of approximately 75.3% for all private higher education institutions in Heilongjiang Province during the same period, according to the Frost & Sullivan Report. We believe that our ability to achieve such a high overall yield is primarily due to the quality of the education and practical training programs we provide and the reputation of our school.

Note:

(1) The student enrollment figure of our school as of the Latest Practicable Date takes into consideration (i) 2,067 fourth-year students who graduated from our school in early July 2020; (ii) seven students who either withdrew from our school or temporarily suspended their study in the spring semester of 2019/2020 school year; and (iii) six students who resumed their enrollment at our school in the same semester.

The higher education market in China is underserved and therefore, it has substantial growth potential. According to the Frost & Sullivan Report, 48.1% of the school-age population of higher education (aged 18 to 22) in China was enrolled in higher education institutions in 2018. This percentage was substantially lower than certain developed countries in Europe and North America, such as the United States, France and the United Kingdom. In 2018, public expenditure on education accounted for approximately 4.1% of China's GDP. Private higher education providers are expected to fill the gap between market demand and public expenditure in higher education. Meanwhile, the PRC government authorities, including the provincial government of Heilongjiang, have promulgated a series of policies to encourage the development of private higher education. According to the Frost & Sullivan Report, the market demand for high-quality higher education, especially application-oriented higher education, continues to grow, driven by steady economic development and the increasing disposable income of the residents in China and Heilongjiang Province.

In light of the increasing demand for practical higher education in Heilongjiang Province, we are poised to capitalize on the growth opportunity. Our leading position in the private higher education sector in Heilongjiang Province and the solid reputation of our school have enabled us to continue to increase the number of student enrollment of our school. As a result, we increased the capacity of our school with the opening of the first phase of a new campus in Hanan Industrial New City, Harbin City, Heilongjiang Province with an aggregate gross floor area of approximately 138,876.3 sq.m. in September 2019, which increased the capacity of our school by approximately 4,440 students. In the 2019/2020 school year, we have begun to partially utilize the facilities in Hanan Campus as we relocated a certain number of our fourth-year college students from Songbei Campus to Hanan Campus.

Since the establishment of our school, we have accumulated abundant experience in operating higher education institution, fostered and nurtured extensive cooperative relationships with enterprises and achieved solid reputation. Therefore, our success has been widely recognized in the PRC private higher education industry. For example, our school has received numerous notable awards, including the "Heilongjiang Province Gold Service School* (黑龍江省金牌服務院校)" award presented by the People's Evaluation of Social Credibility Activities Commission of Heilongjiang Daily (黑龍江日報社會信譽百姓評價活動組委會) in 2008, "National Advanced Independent College (全國先進獨立學院)" award presented by China Independent College Association (中國獨立學院協作會) in 2010, the "China Education Reform Excellence Achievement (中國教育改革卓越成就獎單位)" award presented by China Education Association and China Education Development Association (中國教育協會、中國教育發展促進會) in 2012, and the "National Education Reform and Innovation Model College (全國教育改革創新示範院校)" award presented by China Education Association and China Education Development Association in 2013. In 2019, our school was recognized by the Education Task Board of the Committee of Communist Party of China in Heilongjiang Province (中共黑龍江省委教育工作委員會) as a "Civilized Campus Model (文明校園標兵)". We were also recognized as the Heilongjiang Province Teachers' Morality Advanced Group (黑龍江省師德先進集體), one of the three private higher education institutions that were given this honor by the Education Department of Heilongjiang Province (黑龍江省教育廳) in 2019 as the accreditation of a school's teaching and learning culture. For further details, please refer to the section headed "– Awards and Recognitions" in this prospectus. In addition, from 2017 to 2019, our students participated in the "Learn Entrepreneurship Cup" College Students' Innovation and Entrepreneurship Comprehensive Simulation Contest in Heilongjiang Province (黑龍江省高校"學創杯"大學生創新創業綜合模擬大賽) and received the highest award for three consecutive years.

We have a robust major and coursework development capability, which enables us to design specialized, market-oriented disciplines that support the development of the PRC and regional economy and cater to the strong local demand for professional and technical talents.

We are capable of designing and delivering a diverse set of course offerings in accordance with our school's focus on nurturing professional and technical talents in applied sciences. We formulate and adjust our specialized course offerings primarily based on the progress of the regional industrialization, informatization, urbanization and agricultural modernization, as well as the changes to the PRC national industrial and economic structure. During the Track Record Period, we offered 26 majors of different disciplines, including management, engineering, economics, literature and arts, and covered a comprehensive range of specialized fields of study to introduce professional talents in different areas, and over 869 courses, including mandatory general education courses (通識課), major-mandatory courses and elective courses, to support the industrial transformation and economic development of the PRC. We believe our ability to timely adjust our curriculums is a crucial factor for attracting high-quality students. With respect to curriculum development, we proactively collect feedback from our graduates, participate in various education industry forums, conduct extensive market research and pay close attention to government policies and regulations that may potentially impact our student employment prospects. We periodically upgrade our major and curriculum offerings to meet the changing market demand and our students' needs. The "One Belt One Road" Initiative promoted by the PRC government called for a complex network of railways, highways, oil and gas pipelines, power grids, Internet networks and aviation routes linking countries across Eurasia. The development plans for this region could potentially bring important trade and business opportunities to Heilongjiang Province, especially in the transportation, modern agriculture, equipment manufacturing and modern services industries. In recent years, there had been a shortage of trained professionals with the relevant industry background in Heilongjiang Province, according to the Frost & Sullivan Report.

We are committed to enhancing our school's leading position in Heilongjiang Province as a private higher education institution that offers diverse and comprehensive majors and curriculums to facilitate the training of high-quality professional talents based on the demands of the local markets. For example, we adjusted the majors offered in our department of engineering and renamed it the "School of Railway" in 2019. We also reformulated three existing majors to cultivate students in railway and transportation concentrations, including electrical engineering and automation for railway electrification concentration (電氣工程及其自動化鐵路供電方向), mechanical engineering for vehicle engineering concentration (機械工程車輛方向) and the Internet of Things for railway transportation concentration (物聯網鐵路

運輸方向). In addition, we planned to jointly introduce several featured majors (特色專業), such as vehicle engineering and transportation in the School of Railway in the 2020/2021 school year, in cooperation with a state-owned company that manages major railway lines in Heilongjiang Province, a state-owned municipal metro operating company and Heilongjiang Communications Polytechnic* (黑龍江交通職業技術學院), which is a public vocational college in Heilongjiang Province. As of the Latest Practicable Date, we have submitted the application to introduce these featured majors to the Education Department of Heilongjiang Province and the MOE and obtained the relevant approval to set up vehicle engineering and transportation majors in our School of Railway. We intend to admit approximately 300 students to enroll in these new majors beginning in the 2020/2021 school year, which we believe will expand student enrollment and increase our revenue.

We formulated these featured majors based on the recent development of the local transportation market in Heilongjiang Province. Situated on China's northeastern border, Heilongjiang Province is in an ideal position to capitalize on the new development opportunities through the Heilongjiang Land and Maritime Silk Road Economic Belt, which is a part of the China-Mongolia-Russia Economic Corridor under the "One Belt and One Road" Initiative. The economic belt depends heavily on railway networks in Heilongjiang Province, including the railway line between Harbin City and Heihe City and the Trans-Siberian Railway to Russia, as well as highways, waterways and air routes for cargo transportation to Europe. The multi-layered land-sea cross-border transportation network has turned Heilongjiang Province, an industrial, energy and agricultural base with a strategic geographical location, into a hub connecting China with Russia, Central Asia and the rest of East Asia. As a result, there has been an increasing demand to utilize education resources to cultivate professional talents in the transportation and equipment manufacturing industries, according to the Frost & Sullivan Report. In addition, according to the Frost & Sullivan Report, as of the Latest Practicable Date, our school is one of the two private higher education institutions and the only private higher education institution with the bachelor's program in Heilongjiang Province that offer dedicated majors and curriculums focusing on railway transportation. We believe we are well-positioned to take advantage of the opportunity to train and deploy professional talents in the sectors that have substantial demand for their services.

We maintain an extensive and effective school-enterprise collaboration business model to improve the competitiveness of our students.

Since the establishment of our school, we have emphasized the integration between in-class learning and practical training, aiming to increase the overall competitiveness of our graduates in the job market and smooth their transition from being students to employees. We tailor our majors with an appropriate post-graduation outlook to strike a balance between basic curriculums and practical training-oriented courses, so that students can gain necessary knowledge and acquire useful skills that can be readily applied in the work place upon graduation. Our education objective centers around the concept of "the integration of industry and education, and a combination of learning, research and practice" (產教融合、產學研用一體). We take into account potential employers' needs and preferences when collaborating with them to design the relevant courses so that our students will be equipped with the theoretical understanding, technical skills and innovative spirit desired by their prospective employers. We focus on profession-oriented and practical skill-based training and are committed to deepening our collaborations and relationships with third-party enterprises. The methods of school-enterprise collaboration we have utilized during the Track Record Period primarily included providing training for multi-talented teachers, having classes taught by outside industry experts at our school, constructing enterprise-like simulated training laboratories on-campus, encouraging student to hone their skills external practical training bases, establishing outsourced work arrangements and providing internship and job opportunities to our students. For details of the school-enterprise collaboration business model, please refer to the section headed "– Our School – Educational Approach – School-Enterprise Collaboration" in this prospectus. We believe that the school-enterprise collaboration model enables us to evaluate and adjust our curriculums from the demand-side perspective, and to provide students with the relevant practical training opportunities, which we believe are essential to attaining our educational objectives. It also strengthens the integration of real-life training and in-class learning, while promoting the "two-track" characteristic (雙軌型特徵) of "theory and practice" (理論+實踐). Leveraging on our position as a leading provider of applied science education in Heilongjiang Province, we have fostered close collaboration with various reputable enterprises to facilitate teaching and provide employment support for graduating students.

As of February 29, 2020, we have entered into school-enterprise cooperation agreements with more than 20 enterprises, including, among others, Harbin Madieer Group Co., Ltd.* (哈爾濱馬迭爾集團股份有限公司), which is a state-owned company that provides hotel, food processing and leisure tourism services, a large telecommunications company, a local branch office of a large securities company and a global leading new media company. As of the same date, our school has collaborated with enterprises to establish and operate approximately 90 laboratories within, and 49 practical training bases outside, our school campuses.

Our school has also established and operated 11 industrial and educational integration and innovation projects (產教融合創新項目) and constructed one industrial and educational integration and innovation base (產教融合創新基地) on campus during the Track Record Period. For example, we jointly established the industrial and educational integration and innovation base with Heilongjiang Zhonglian Huitong Internet of Intelligences Technology Co., Ltd.* (黑龍江中聯慧通智聯網科技股份有限公司) ("Zhonglian Huitong"), which is an A-share listed integrated high-tech enterprise in Heilongjiang Province, in May 2018, which consisted of practical training studios, lecture rooms and technical support center. This base simulates the workplace environment and enables our teachers to conduct situational teaching. We believe that delivering practical training courses in a workplace setting can enable our students to better comprehend the details of the business operations and effectively utilize the theoretical and technical knowledge they acquired in a classroom setting, which will lend adequate professional talent support and resources for our collaboration partners, the industries in which they operate and the society in general.

With our effort to further explore school-enterprise collaboration opportunities, in April 2020, our school entered into a cooperation agreement with Phoenix, a professional service provider of digital media education, pursuant to which, our school will, jointly with Phoenix, establish a digital media creativity-oriented college within our school (the "School of Digital Media"), which will offer undergraduate programs involving our existing broadcasting and television production (廣播電視編導) and visual communication design (視覺傳達設計) majors, and the digital media arts (數字媒體藝術) major that we plan to jointly introduce in the 2021/2022 school year, to provide practical skill-based trainings and courses to our students to further integrate the education services we offer with the demand of the industry. In connection with the establishment of this School of Digital Media, we intend to enroll at least 240 students per school year, beginning in the 2020/2021 school year, subject to the approval of the relevant government authority relating to our application for student admission quota. As of the Latest Practicable Date, as approved by the MOE, we planned to admit 240 students for the broadcasting and television production and visual communication design majors of the School of Digital Media in the 2020/2021 school year.

In addition to our collaboration with Phoenix, we also established collaborative relationships with Express Incubator and SHEC, which are well-established players in their respective industries. For details of the cooperation, please refer to the section headed "Business – Our School – Educational Approach – School-Enterprise Collaboration".

Our profession-oriented course offerings formulated based on market demand and the high quality education we offer enable our students to achieve relatively high initial employment rates.

We focus on providing profession-oriented courses, particularly in the area of applied sciences, to equip our students with practical and readily applicable skills that meet the demands of a changing job market. We carefully select the course majors we offer to take into consideration the evolving employment market in Heilongjiang Province and elsewhere in China. Based on the market research we conduct, we may, from time to time, introduce new majors and curriculums we offer in the event new demands arise in certain sectors of the market, and eliminate certain majors and course offerings if employers no longer exhibit the demand for professionals with particular skillsets. The success of this practical focus is reflected in the relatively high initial employment rates enjoyed by our students. For the 2016/2017, 2017/2018 and 2018/2019 school years, we had 1,797, 1,676 and 1,964 graduates, respectively, and the initial employment rates of our graduates were approximately 78.7%, 80.2% and 90.9%, respectively, while the average initial employment rates of all private higher education institutions in Heilongjiang Province was approximately 78.5% and 79.1% for the 2016/2017 and 2017/2018 school years, respectively, according to the Frost & Sullivan Report. The initial employment rate of the graduates of our school for the 2017/2018 school ranked fourth among all private higher education institutions in Heilongjiang Province, according to the Frost & Sullivan Report.

Our education mission not only centers on achieving high initial employment rates for our graduates, but also on their feedback and performances once they enter the job market. We usually obtain such feedback by engaging a third-party data analytics company, which interviews certain employers and seeks the feedback from our graduates. In 2018, we engaged MyCOS Data Corporation Co., Ltd., an Independent Third Party specializing in higher education management data analytics, to research the quality of employment of our graduates.

According to the research report prepared by such company, among the 155 employers of our 2018 graduates that are located in over 40 cities across China, which represented all the employers who responded to the employer satisfaction survey conducted by MyCOS, approximately 97%, 95%, 94%, 93% and 92% of these employers expressed their satisfaction with the performance of our recent graduates in terms of (i) problem solving ability; (ii) communication skills; (iii) work ethics and professional standards; (iv) team work and cooperation; and (v) strong hands-on skills, respectively. Such employer satisfaction survey was conducted with a pre-designed questionnaire through which employers could choose from the options of "not assessable", "extremely unsatisfying", "unsatisfying", "satisfying", and "extremely satisfying", to describe the performance of our graduates. The number of satisfying employers in the report included those indicated the "satisfying" and "extremely satisfying" options. We believe that the relatively high initial employment rates achieved by our graduates and the positive feedback from their employers reinforce our stellar reputation as a provider of high-quality profession-oriented education.

We develop and foster cooperative relationships with international institutions.

To further enhance our students' and faculty's exposure to diversified learning/training with a global perspective, we focus on establishing cooperative programs with overseas education institutions to create exchange opportunities for our students and teachers. We have entered into framework cooperative agreements with certain overseas education institutions, pursuant to which, we aim to collaborate with them by co-designing and co-operating student exchange programs, setting up academic events and offering international training programs to teachers. As of the Latest Practicable Date, we were in the process of implementing various programs under these framework agreements. Furthermore, we periodically select a number of qualified teachers to attend training programs and academic exchange activities abroad to improve their teaching skills and refine their teaching methodologies. For example, 81 of our teachers attended a 15-day comprehensive training program at the Concordia University in Chicago in 2018 and 2019. This program provides professional training in various aspects, including curriculum design, teaching methodologies, course material selection, student evaluation, teacher professional development, student services and management and university culture construction and governance. Our teachers also participate in extensive lectures, class observations, site visits, seminars, academic exchanges and discussions, among other things. We believe these programs offer unique opportunities to our students and teachers to enrich their experiences, broaden their horizons and improve the overall quality and attractiveness of our school.

We have an experienced, reputable and visionary management team with a proven track record and a team of high-caliber faculty.

We have an experienced senior management team with relevant knowledge and expertise in the PRC private education industry. Our core management team has a longstanding track record in the private education industry, with an average of approximately 20 years of work experience. Mr. Liu Laixiang (劉來祥), the founder and principal of our school and chairman of the Board, has more than 13 years of experience in the private education industry. Mr. Liu has extensive knowledge and experience in managing private schools and in-depth understanding of the PRC private education industry. He has held various other positions in the industry, including chairman of Heilongjiang College of Technology, Limin Campus* (黑龍江科技學院利民校區) from 2006 to 2011 and chairman of the board of directors of Northeast Agricultural University, Chendong College* (東北農業大學成棟學院) from 2011 to 2015. Mr. Wang Yunfu (王雲福), our executive Director, is mainly responsible for financial and accounting matters of our school. Mr. Wang has extensive experience in accounting and financial management. Prior to joining our Group, Mr. Wang served as financial controller of Heilongjiang Jia Feng Group* (黑龍江嘉峰集團) from 2001 to 2010, and as financial controller of Hanfeng Group* (漢楓集團) from 2011 to 2012. He is chief financial officer of Harbin Xiangge from 2013 to present. In addition, Mr. Zhao Jinbo (趙金波), our general manager and vice-principal, has substantial experience in education and software engineering, and is primarily responsible for overseeing and conducting strategic planning of the development of information system of our Group. From 1993 to 2002, Mr. Zhao had been teaching mathematics at Changchun Optics Precision Machinery College* (長春光學精密機械學院), the predecessor of Changchun University of Science and Technology. Subsequently, Mr. Zhao was the general manager of Heilongjiang Huizhi Jinhe Software Engineering Limited* (黑龍江匯智金合軟件工程股份有限公司) from 2005 to 2008, and the deputy general manager of Changchun Jida Scola Co., Ltd.* (長春吉大博碩科技有限公司) from 2009 to 2015.

Our school is led by a team of seasoned professionals with extensive experience in the PRC private higher education industry. Mr. Liu, who is the principal of our school, is assisted by several deputy principals, each of whom is responsible for one or more specific aspects of our school's day-to-day operations, such as educational curriculums, student admissions, security and logistics, student affairs and human resources. These deputy principals are all experienced and dedicated educators. We believe that the extensive experience of our school's administrators and our senior management team in education and management represent a substantial competitive advantage. Their knowledge and experience enable us to operate our school effectively while continuing to build our profile, enhance our reputation in the PRC private education industry and delivering high-quality education to our students.

In addition, our ability to recruit and retain high-caliber teachers is key to our success. To expand our programs and services and to improve the quality of education, we adopt strict standards in teacher recruitment. We actively participate in teacher recruiting activities and take various measures to cultivate and incentivize our teachers. As of February 29, 2020, we had 233 full-time teachers and 217 part-time teachers. Among our full-time teachers, all of them have a bachelor's degree or above or have completed the requisite courses of the undergraduate programs, and approximately 56.7% of them have a master's degree or above. We also have a relatively young, energetic and vigorous faculty. For example, less than half of our full-time teachers have relevant teaching experience of more than five years. To attract and retain highly-qualified teachers, we provide them with comprehensive training programs, competitive compensation and benefit plans, flexible working arrangement and a clear career path designed to encourage both academic and managerial development. We believe our investment in training and career development for our teachers will continue to enable us to maintain a highly qualified and stable faculty.

OUR BUSINESS STRATEGIES

Expand our business operations to achieve economies of scale.

We plan to expand our school network in the PRC by entering into cooperative arrangements with business partners who are Independent Third Parties. These business partners may include local governments, real estate developers, investment companies and other public and/or private school operators who share our education philosophies and vision, pursuant to which such business partners would contribute or lease to us the relevant land and/or facilities, as the case may be, while we would contribute our brand name and teachers and provide funding for the operation of the school(s). Such cooperation will be premised on our ability to control the operation and management of the schools to ensure there will be consistency in the quality and standards of the education programs. We believe we can substantially lower our initial capital requirement to expand our operations under this type of business model, which allows us to better utilize our available cash and efficiently allocate our financial resources.

To establish new schools through this collaborative business model, we generally consider various factors, including, among others, local job market demands, the terms of the collaboration, the identity of our prospective partners and their commitment to such collaboration and a sustainable population for higher education consumption. The equipment manufacturing industry is one of China's most important industry sectors and one of the pillars of economic development of Heilongjiang Province, according to the Frost & Sullivan Report. With the expansion and innovative reforms in the equipment manufacturing industry, there has been a rising demand of professional talents, especially first-line skilled technicians in Heilongjiang Province.

On September 25, 2019, we entered into a preliminary school project collaboration agreement with Daqing High-tech Industrial Development Zone Management Committee* (大慶高新技術產業開發區管理委員會), which is a local government authority in Daqing City, Heilongjiang Province, pursuant to which we intend to establish and operate a new school in Daqing that will offer junior college education (the "Daqing School"). The Daqing School will primarily focus on nurturing professional talents and technicians in the transportation equipment manufacturing industry. We plan to design and offer majors relating to the equipment manufacturing industry, which may include, among others, automobile manufacturing and assembly technology, machinery manufacturing and automation, Internet of Things application technology, pipeline engineering technology, general aircraft maintenance technology, unmanned aerial vehicle application technology and urban rail transit vehicle technology. Actual majors to be offered will be subject to the approval of the relevant education authorities. As of the Latest Practicable Date, we were in the process of negotiating with the local government in Daqing City relating to the establishment of the Daqing School and no major terms have been agreed upon by the parties. In the event we enter into a formal agreement to construct the Daqing School, we estimate that the capital expenditure will be approximately RMB300.0 million to be expended in three years, of which, approximately RMB150.0 million will be funded by the local governments of Daqing City in the forms of subsidies and/or grants, and the remainder will be funded by the surplus from the operations of our school and/or external financing.

In addition, we entered into a framework cooperation agreement on joint talent cultivation with, a state-owned company that manages major railway lines in Heilongjiang Province and a public vocational colleges that offers a set of railway majors in China on May 24, 2019. Pursuant to this cooperation agreement, the parties thereto shall, among other things, (i) establish a continuous improvement mechanism of education quality through jointly formulating and dynamically adjusting talent cultivation objectives, curriculum systems and standards, and assessment plans, among others; (ii) share teachers' resources, provide trainings to help each other relating to the practical training of teachers and improvement of teaching qualities; (iii) jointly set up a professional work group to develop teaching materials, practical training software, video courses, virtual simulation systems and other teaching and training resources for the railway majors of our school; (iv) cooperate in awarding professional qualifications, including arranging students of the railway majors in our school and Heilongjiang Communications Polytechnic to participate in the practical training at such state-owned railway company before obtaining the professional qualifications in various types of railway works; and (v) jointly promote technological innovation by focusing on research projects based on actual needs of the railway company. The term of this agreement is for three years, which is subject to renewal by the parties upon expiration. As advised by our PRC Legal Advisors, the cooperation agreement is validly entered into by and is effective and binding on the parties thereto under the PRC Contract Law. With the shared resources from our cooperation partners, we aim to expand the major offerings of our School of Railway to cultivate profession-oriented students whose readily-applicable skills are sought after by the railway companies in the market.

In order to expand our operations, we plan to further increase the student capacity of our school. Accordingly, we are in the process of constructing Hanan Campus. The first phase of the construction was completed in September 2019, which involved a portion of the campus with an aggregate gross floor area of approximately 138,876.3 sq.m., and was put into use in September 2019. It increased the capacity of our school by approximately 4,440 students, or approximately 53.8% of our school's capacity prior to the opening of the first phase of Hanan Campus. The second phase of the construction involves an aggregate planned gross site area of approximately 200,000 sq.m. We expect to commence construction in the third quarter of 2020 and complete construction in 2023. This expansion is likely to further increase the capacity of our school by approximately 3,000 students. For details of this expansion project, please refer to the section headed "– Our Expansion Plan" in this prospectus. We believe that the establishment of the new Hanan Campus will enable us to expand student enrollment and increase our revenue. Beginning in the 2019/2020 school year, we have begun to relocate a number of our fourth-year college students to Hanan Campus in an effort to cope with the increasing number of student enrollments and the limited capacity of our Songbei Campus.

In light of the additional majors we plan to offer beginning in the 2020/2021 school year and the opening of the first phase of Hanan Campus in September 2019, on March 26, 2020, we submitted separate applications to the local education bureau in Harbin City to increase the admission quota for additional student enrollments for the bachelor's program and junior college to bachelor's degree transfer program for the 2020/2021 school year. As of the Latest Practicable Date, the local education bureau in Harbin City had approved certain additional student admission quota for the bachelor's program and also tentatively approved, subject to official publication by the MOE in earlier August 2020, over 200 new student admission quota for the junior college to bachelor's degree transfer program at our school for the 2020/2021 school year.

Pursue strategic acquisitions of suitable schools in the PRC to enhance our market penetration.

We intend to acquire existing schools that offer higher education with relatively low utilization rates and/or have substantial growth potential in the PRC. We prefer to acquire qualified undergraduate colleges and/or junior colleges whose school sponsors have elected or intend to elect them to be for-profit private schools in northeastern China, northern China and central China. According to the Frost & Sullivan Report, the number of private higher education institutions in northeastern China, northern China, central China and eastern China, which are our potential acquisition targets, was approximately 69, 89, 112 and 241, respectively, as of June 30, 2019. We conducted a feasibility study for such potential strategic acquisitions and determined to primarily focus on these regions in the PRC because (i) these regions are relatively closer to our headquarters in Heilongjiang Province, which we believe will be easier for us to centrally manage their operations; (ii) there exists less significant differences in cultural background and customs; (iii) there are more concentrated number of private higher education institutions in these regions, which we believe may enable us to more easily identify potential suitable acquisition target(s); and (iv) there had been more exchanges between our schools and some of the schools located in these regions so we are generally more familiar with their local operating environment. We plan to give acquisition priority to schools that primarily offer applied sciences majors. According to the Frost & Sullivan Report, given that the private higher education markets in northern China, northeastern China, eastern China and central China are fragmented and many private higher education institutions offer applied science majors, the markets for private higher education institutions that primarily offer applied science majors in those regions are fragmented as well. We believe the competitive landscape in these regions is conducive to further integration and acquisition. We will also consider acquiring private undergraduate colleges and/or junior colleges that offer curriculums and education programs that complement those offered at our existing school, which we believe will create additional business synergies within our school network in terms of resource sharing and student recruitment.

When conducting our analysis regarding potential acquisition targets, we mainly consider the following criteria: (i) the level of education the target school provides, the target school's operating scale; (ii) the region in which the target school is located, preferably a provincial capital or a large city; (iii) whether the school sponsor(s) of the target school has elected or intend to elect such school to be for-profit private school; (iv) the quality of the teaching staff; and (v) the asset conditions and the financial status of the target school. We will carefully evaluate these factors based on a totality of circumstances in order to identify suitable acquisition target(s) for our expansion. We will give priority to consider target schools that have elected to be or indicated that they will elect to be for profit private school. As of the Latest Practicable Date, we have not made a formal decision as to whether we would elect to register our school as a for-profit private school or a non-profit private school under the 2016 Decision. We prefer to acquire qualified undergraduate colleges and/or junior colleges whose school sponsor(s) have elected or intend to elect to register their schools as for-profit private schools mainly out of the consideration to avoid potential legal implications that our school's sponsor may be recognized as operating our school based on a centralized school management model, and is therefore deemed to be no longer able to acquire non-profit private schools or control them by means of mergers and acquisitions, franchising or through structured contracts under the MOJ Draft for Comments. Please refer to the section headed "– The MOJ Draft for Comments – Implications on Our Expansion Strategy" in this prospectus for further details. Our preference of prospective acquisition targets does not in any way indicate our tendency towards electing our school to be a for-profit or non-profit private school. Our PRC Legal Advisors are of the view that the existing PRC laws and regulations do not prohibit us from acquiring for-profit private school(s), even if we were to elect our school to be a non-profit private school, we would still be able to acquire for-profit schools, and the WFOE would still be able to collect service fees from its PRC Consolidated Affiliated Entities in accordance with the Structured Contracts. We plan to execute our expansion strategy in strict compliance with, and will manage our future acquisitions of schools as permitted by, the applicable PRC laws and regulations. As of the Latest Practicable Date, we had not identified any suitable target(s) for acquisition.

Further advance our profession-oriented and applied science education by strengthening school-enterprise collaboration and improving practical training programs.

To cultivate high-quality profession-oriented talents with readily-applicable skills, we plan to further expand and enrich our school-enterprise collaboration programs and industrial and educational integration innovation projects. We aim to establish collaboration programs with new industry-leading enterprises and strengthen our relationships with existing cooperation partners. Specifically, we intend to focus on collaborative curriculum planning, formulation of course content and customized training programs at our school, as well as the provision of on-campus practical training and internship opportunities to our students. In addition, we plan to set up special posts for experienced industry experts to work as full-time or visiting teachers at our school, offer additional opportunities for our teachers to deepen their association with the relevant industries and enterprises, and encourage them to gain applicable work experience to facilitate their teaching. We plan to create opportunities to enable our teachers to periodically practice their craft at certain of our enterprise partners in the relevant industries during school recesses. We believe our teachers can further enhance their understanding of the industries and improve their teaching abilities as a result of such endeavor.

We believe the quality of our training facilities is crucial to maintaining the high standard of educational services we provide. In order to provide students with new opportunities to apply and practice the knowledge and skills they acquired in class, we have established and put into use four new training centers at Hanan Campus for students of the departments of economics, accounting, computer science and business management, and we plan to establish two additional practical training centers for our students of the department of economics and department of arts and communications in our Hanan Campus. The two practical training centers will be part of the second please of construction of Hanan Campus. For further details, please refer to the section headed "– Our Expansion Plan – Hanan Campus" in this prospectus. We believe that our investments in the construction of on-campus industrial and educational integration and innovation bases and setting up our practical training facilities enable our students to obtain first-hand workplace simulation experience and strengthen their practical skill training so that they can adapt quickly to the growing and changing demands of the market.

Optimize our pricing strategy and diversify our revenue sources to improve profitability.

The level of tuition fees and boarding fees we charge and the number of student enrollments are fundamental factors affecting our profitability. We plan to achieve increases in both tuition fee rates and student enrollment through flexible structural adjustment of our business. The fees we typically charge our students consist of tuition fees and boarding fees. We raise tuition fee rates as necessary and appropriate to reflect our increased operating costs and the adjustment of our major and curriculum offerings. New tuition fee rates only apply to newly enrolled students. Students who have already enrolled at our school continue to pay the tuition fees at the rates in effect when they enrolled. We believe our leading position and reputation enable us to further raise our tuition fee rates while maintaining competitiveness in student admission. In addition, as advised by our PRC Legal Advisors, according to the relevant local regulations in Heilongjiang Province, we have the discretion to adjust the tuition fees and boarding fees charged by our school from time to time, and the increases in the tuition fee rates and boarding fee rates are not subject to regulatory approval or filing requirements. Please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC" in this prospectus for details. Moreover, with the expansion and upgrade of our campus, we may further increase our tuition fees and boarding fees that will be commensurate with the improving education quality and living conditions. We have raised tuition fee rates for all majors in the 2016/2017, 2017/2018 and 2018/2019 school years and boarding fee rates in the 2017/2018 and 2018/2019 school years. While we did not increase tuition fees or boarding fees for the 2019/2020 school year, we may nevertheless raise the tuition fee rates and boarding fee rates for the 2020/2021 school year, depending on our operating expenses and the tuition fees and boarding fees charged by our competitors.

In addition, we plan to offer a two-year full-time junior college to bachelor's degree transfer program. On September 18, 2019, the Education Department of Heilongjiang Province issued the Administrative Measures for Higher Vocational Colleges (Junior College) to Recommend Graduates to be Admitted by Undergraduate Universities in Heilongjiang Province Exempting from Examinations (Trial) (《黑龍江省普通高等學校推薦應屆高職(專科)畢業生免試升入本科高校工作管理辦法(試行)》) to seek public comments. This regulation stipulates that the graduates of higher vocational college and junior college in Heilongjiang Province with comprehensive evaluation grades that rank in the top 30% of the graduates of a major can be exempted from taking the Provincial Bachelor's Degree Transfer Examination and can be admitted directly by the undergraduate programs of the universities in the province.

If the regulation is eventually adopted in the current form, the student base of full-time junior college to bachelor's degree transfer program will be expanded, which will enable our school to attract more qualified students and diversify our revenue source. According to the Notice on Compiling and Reporting on the Specialized Enrollment Plan for Undergraduate Universities in 2006 (《關於編報2006年普通高等教育分學校分專業招生計劃的通知》) issued by the MOE and the NDRC on January 24, 2006, national key universities, independent colleges and private colleges under Project 211 and Project 985 in China generally do not operate undergraduate education for graduates of higher vocational colleges and junior colleges from 2006. In addition, there are approximately 70,000 graduates of higher vocational college and junior college each year in Heilongjiang Province, according to the Frost & Sullivan Report. Pursuant to the 2018 Measures for the Examination and Enrollment of the National Adult Higher Education in Heilongjiang Province (《黑龍江省2018年全國成人高等學校考試招生實施辦法》), beginning in the 2018/2019 school year, students exempted from taking the Provincial Bachelor's Degree Transfer Examination for the junior college to bachelor's degree transfer program were excluded from the overall admission quota for the bachelor's program of a higher education institution.

Continue to expand applied science and skill-oriented majors to capture the development opportunities brought by the "One Belt One Road" Initiative.

We believe the quality of our education services is the foundation of our business and growth. We intend to continue expanding and diversifying our course offerings in response to the changing industry trends and market demands. We plan to further solidify our competitive advantages in providing well-rounded education with a focus on applied sciences and skill-oriented education programs. Through the implementation of the "One Belt One Road" Initiative, we believe there will be an increasing demand for professional talents in the transportation, modern agriculture, equipment manufacturing and modern service industries. We plan to continue to expand the major offerings of our School of Railway and further develop the new featured majors.

In addition, we plan to cultivate professional talents in other areas, such as international trade, finance, construction, culture and language. We aim to capitalize on the opportunities created by the national strategic policies and actively introducing and updating the majors and courses we offer. We believe that our market-oriented approach and comprehensive, and highly practical majors and curriculums will continue to equip our students with the practical skills that are usually in high demand in the job market, which give our students more diverse career choices and help them excel in their career development.

Attract, incentivize and retain talented professionals to improve the quality of our faculty.

The quality of our education services also depends on the abilities of our teachers. We intend to continue to attract, incentivize and retain talented teachers so that we can build a first-rate faculty team. In order to attract and retain their services, we will continue to offer pertinent training programs and provide our teachers with competitive salaries and employee welfare benefits. To this end, we plan to invest approximately RMB0.2 million in 2020 to formulate and conduct training programs to cultivate dual-qualified teachers (雙師型) who possess both adequate academic background and teaching skills along with the relevant industry experience and practicable knowledge. In addition, we plan to recruit well-recognized technical experts, experienced business administrators and other highly skilled professionals to teach full-time or part-time at our school.

To ensure continuous improvement of our education quality, we encourage our teachers to pursue further studies to enhance their professional expertise and knowledge. We plan to continue to send our teachers to other higher education institutions domestically and abroad in connection with recently established exchange programs, and promote further on-the-job training. We also intend to invite academics and industry experts to give lectures to our students and teachers on-campus.

OUR EDUCATIONAL MISSION

Our fundamental educational mission is to cultivate well-rounded students who are dedicated to the pursuit of knowledge, the exploration of essence, the advocacy of morality and the appreciation of utility (求知、原本、崇德、尚用).

OUR SCHOOL

Overview

During the Track Record Period and up to the Latest Practicable Date, we operated Heilongjiang College. According to the Frost & Sullivan Report, our school ranked eighth among all private higher education institutions in Heilongjiang Province in terms of full-time student enrollment in the 2018/2019 school year. Heilongjiang College is a degree-granting private formal university-level education institution established in 2002 in Harbin City, Heilongjiang Province, the PRC, that primarily offers undergraduate programs. During the Track Record Period, we recruited students from over 20 provinces, municipalities and autonomous regions in China and our school offered 26 majors in a wide range of subject areas, including, among others, engineering business, railway, economics, literature and arts. As of the Latest Practicable Date, our school offered 24 majors in a variety of disciplines.

Our school generally recruits students who have achieved our required total score on the National Higher Education Entrance Examination, as well as students who possess a junior college degree and meet certain academic requirements. For the 2019/2020 school year, we had an aggregate of 8,818 students enrolled at our school. In addition, as of February 29, 2020 and the Latest Practicable Date, we had 8,807 and 6,739[(1)] students enrolled at our school, respectively, and employed 450 and 465 teachers, respectively.

Note:

(1) The student enrollment figure of our school as of the Latest Practicable Date takes into consideration (i) 2,067 fourth-year students who graduated from our school in early July 2020; (ii) seven students who either withdrew from our school or temporarily suspended their study in the spring semester of 2019/2020 school year; and (iii) six students who resumed their enrollment at our school in the same semester.

As a higher education service provider, we are committed to equipping our students with the real-world skills and applicable concepts geared toward their specific chosen career paths. We integrate education, research and application to produce practical and workforce-ready graduates from a broad range of academic programs.

School Facilities

Our school currently has two campuses, namely, Songbei Campus and Hanan Campus. As of the Latest Practicable Date, Songbei Campus occupied premises with an aggregate gross site area of approximately 144,095.0 sq.m. and had buildings with an aggregate gross floor area of approximately 169,818.33 sq.m. The premises primarily include two teaching buildings, a library, an information center, a canteen, a gymnasium and seven student dormitory buildings. To provide our students with opportunities to improve their practical skills, Songbei Campus also has a building that is used as laboratory and practical training studios.

Set out below are several pictures of our Songbei Campus:

Songbei Campus – Main Building

Songbei Campus – Teaching Building

As part of our efforts to expand our school operations, we opened Hanan Campus in September 2019. The opening of Hanan Campus enabled us to upgrade the educational facilities of our school and provided additional teaching space to provide lectures and training to our students. Hanan Campus is located in Hanan Industrial New City, Harbin City, Heilongjiang Province, which is approximately 50 kilometers away from Songbei Campus, and we owned the land use rights with respect to premises with an aggregate gross site area of approximately 397,914.04 sq.m. as of the Latest Practicable Date. Hanan Campus had buildings with an aggregate total gross floor area of approximately 138,876.3 sq.m. as of the same date. The main facilities of Hanan Campus mainly include four teaching complexes, five student dormitory buildings, a swimming pool, a gymnasium, an entrepreneur center, a canteen and numerous practical training studios. The second phase of the construction involves an aggregate planned gross site area of approximately 200,000 sq.m. We expect to commence construction in the third quarter of 2020 and complete construction in 2023. This expansion is likely to further increase the capacity of our school by approximately 3,000 students, or approximately 23.6% of our school's capacity after the opening of the first phase of Hanan Campus. After the completion of the construction, we expect to expand the area of our two campuses to an aggregate gross site area of approximately 742,009.04 sq.m. For further details, please refer to the section headed "– Our Expansion Plan" in this prospectus.

Set out below are several pictures of our Hanan Campus:

Hanan Campus – Teaching Buildings

Hanan Campus – Locomotive and Railway Exhibits (Teaching Aids for the School of Railway)

Student Enrollment and Capacity

During the course of our operations, we have sought to capture the growth opportunities in terms of the demand for professional talents with practical skills in the PRC and Heilongjiang Province. Because our school is a boarding school, the growth of our operations in terms of student enrollment is primarily dependent on and subject to the capacity for full-time students, which is mainly restricted by the number of beds available and the student admission quota approved by the relevant PRC education authorities. The following table sets forth information relating to the student admission, admission quota and admission quota utilization rate for our school for the school years indicated:

	Newly Enrolled Students				Admission Quota$^{(1)}$				Admission Quota Utilization Rate$^{(2)}$ (%)			
	School Year				School Year				School Year			
	2016/2017	2017/2018	2018/2019	2019/2020	2016/2017	2017/2018	2018/2019	2019/2020	2016/2017	2017/2018	2018/2019	2019/2020
Bachelor's degree program . .	2,082	2,082	2,150	2,563	2,219	2,290	2,390	2,800	93.8	90.9	90.0	91.5

Notes:

* The student admission information during the Track Record Period was based on the official records of the Education Department of Heilongjiang Province and the internal records of our school. Our school year generally starts on September 1. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of students' academic files, the collection of tuition and boarding fees and other operating activities are usually completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus.

(1) As a higher education service provider, the number of new students Heilongjiang College may admit in each school year is generally limited by an admission quota specified by the relevant education authorities, which is subject to adjustments by such education authorities at a later stage. The admission quota and subsequent adjustments are determined by the relevant education authorities, which are beyond our control. The admission quota utilization rate is calculated based on the total number of students admitted for a school year divided by the school's admission quota approved by the relevant education authorities.

(2) We did not fully utilize the admission quota during the Track Record Period, mainly because certain number of prospective first-year students who were admitted into our school during recruitment season eventually did not enroll in the programs of our school in the upcoming school year.

The number of students that we are able to enroll in the bachelor's degree program for each school year is subject to the approval by the relevant PRC education authorities. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrollment Program (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrollments for the graduate and undergraduate programs are subject to the annual plan for higher education enrollment issued by the MOE and the NDRC, while the student enrollments for the junior college program is subject to the approval of the relevant provincial educational authorities. The number of students admitted by our school in the 2016/2017, 2017/2018 and 2018/2019 school years generally increased because we have increased our promotional and marketing efforts, which enabled us to enhance our brand awareness and increase our student enrollment.

We generally require students who attend our school full-time to live on campus in student dormitories. Therefore, our school's student enrollment is largely limited by the capacity of our student dormitories. We estimate the capacity and utilization rate of our school based on the approximate number of students that the school's dormitories are designed to accommodate for the relevant school year (i.e., the number of bed available at student dormitories). The following table sets forth information relating to the student enrollment, capacity and school utilization rate for our school for the school years indicated:

	Student Enrollment				Student Capacity(1)(3)				School Utilization Rate(2) (%)			
	School Year				School Year				School Year			
	2016/2017	2017/2018	2018/2019	2019/2020	2016/2017	2017/2018	2018/2019	2019/2020	2016/2017	2017/2018	2018/2019	2019/2020
Bachelor's degree program	7,550	7,800	8,256(4)	8,818	8,250	8,250	8,250	12,690	91.5	94.5	100.0(4)	69.5(3)

Notes:

* The student enrollment and capacity information during the Track Record Period was based on the official records of the Education Department of Heilongjiang Province and the internal records of our school. Our school year generally starts on September 1. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of students' academic files, the collection of tuition and boarding fees and other operating activities are usually completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus.

(1) Our school is a boarding school and accordingly, we generally provide beds for students enrolled in the bachelor's degree program. The capacity of our school represents the approximate number of students that our school's student dormitories are designed to accommodate for the relevant school year. It is derived from the number of available beds in the standard rooms of the relevant student dormitories according to our school's internal records at the commencement of a school year in September.

(2) The school utilization rate is calculated by dividing the number of students enrolled in the bachelor's degree program in a particular school year by the maximum student capacity for the same school year.

(3) We commenced operations of Hanan Campus in September 2019. As of September 30, 2019, Hanan Campus had built the dormitories that could accommodate approximately 4,440 students and only 1,429 beds have been utilized as a number of fourth-year students were relocated to Hanan Campus from Songbei Campus. Therefore, the aggregate student capacity of our school has increased by 4,440 to reach 12,690 starting from the 2019/2020 school year, which resulted in a decrease of school utilization rate for such school year.

(4) The number of student enrollment in the 2018/2019 school year included six transient students who continued their studies at other higher education institutions in the PRC due to special circumstances, such as personal or family reasons, which were approved by our school in accordance with our transient student policy. However, we kept the registration records of the transient students at our school and these students continued to pay us the applicable tuition fees accordingly. Therefore, since these students neither lived on campus nor attended classes at our school during the relevant school year, the school utilization rate was 100.0% as we had only accommodated 8,250 students in the 2018/2019 school year.

Tuition Fees and Boarding Fees

We generally charge our students fees comprising tuition fees and boarding fees in advance for the entire school year prior to the commencement of the school year in September. We raise tuition fees and boarding fees as appropriate and necessary to reflect increased operating costs and adjustments in our major and curriculum offerings. During the Track Record Period, we have raised tuition fees for all majors in the 2016/2017, 2017/2018 and 2018/2019 school years. New tuition fee rates only apply to newly enrolled students. Students who have already enrolled in our school continue to pay the tuition fee at the rates that were in effect when they first enrolled. We also increased boarding fees for students in the 2017/2018 and 2018/2019 school years for both four-person and six-person dormitory rooms. According to our PRC Legal Advisors, private higher education schools in Heilongjiang Province are no longer subject to the approval requirements or predetermine fee limits from the relevant government authorities when they make adjustments to the tuition fees and boarding fees they charge their students. While we did not raise the tuition fee rates and boarding fee rates for the 2019/2020 school year, we may nevertheless raise tuition fee rates and boarding fee rates for the 2020/2021 school year. We believe the increase in tuition fees and boarding fees at our school during the Track Record Period was mainly attributable to the our growing recognition among prospective students, the introduction of new majors and curriculums, the improvements we made in respect of school facilities and improving initial employment rates of our graduates. The increases in tuition fee rates and boarding fee rates allow us to provide higher-quality education services, improved learning experiences and better employment opportunities to our students, all of which require substantial capital and resources.

The following table sets forth the tuition fee information for our school for the school years indicated:

	Tuition Fee[1]			
	School Year			
	2016/2017	2017/2018	2018/2019	2019/2020
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Bachelor's degree program	14,000 – 15,500	15,000 – 16,000	19,000 – 20,000	19,000 – 20,000

Note:

(1) Tuition fees shown above for our school are applicable to students newly admitted in the relevant school year only, excluding boarding fees.

Tuition fee rates may vary depending on the following factors: our operating costs, expected student class size, the popularity of our education programs, student enrollment, the tuition fee rates charged by our competitors and prevalent market conditions. Generally, the tuition fee rates for our art majors under the bachelor's degree program are higher than that of business-oriented and engineering-oriented majors in the bachelor's degree program. As a result, the changes in the number of students enrolled in different academic programs and majors of our school each school year may lead to fluctuations of our tuition fee income.

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, tuition fees collected by our school accounted for approximately 92.1%, 92.1%, 92.5%, 93.0% and 92.9% of our total revenue, respectively, while boarding fees collected by our school represented approximately 7.9%, 7.9%, 7.5%, 7.0% and 7.1% of our total revenue, respectively. We typically recognize revenue on a straight-line basis over nine months in the school year with respect to tuition fees, and 12 months for non-graduating students and 10 months for graduating students with respect to boarding fees. Tuition fees and boarding fees are normally collected in August in advance of the commencement of each school year, which starts in September. We collect tuition fees and boarding fees through bank transfers, online APP payments, debit card payments and cash. To the best knowledge of our Directors, no related party has collected any payment from students on behalf of our Group during the Track Record Period and up to the Latest Practicable Date.

From the 2016/2017 school year to the 2017/2018 school year, we charged boarding fees ranging from RMB1,100 to RMB1,200 per student per school year. For the 2018/2019 school year, we increased the boarding fees ranging from RMB1,600 to RMB1,800 per student per school year given the increasing costs in our school operations. The boarding fees we charged for the 2019/2020 school year remained the same as 2018/2019 school year. The following table sets forth the average tuition fee and average boarding fee of our school for the years indicated.

	Average Tuition Fee[1]			**Average Boarding Fee**		
	Year Ended August 31,			**Year Ended August 31,**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
Bachelor's Degree Program.	13,144	13,871	15,492	1,120	1,192	1,250[2]

Notes:

(1) For illustration purposes, the average tuition fee and average boarding fee for the years ended August 31, 2017, 2018 and 2019 is calculated by dividing the revenue generated from tuition fees and boarding fees, respectively, for a given financial year by the number of students enrolled on September 30 of each such financial year. For example, the average tuition fee for the year ended August 31, 2019 is calculated by dividing the tuition fee revenue generated for such year by the number of students enrolled in our school as of September 30, 2018. The number of students enrolled at our school as of September 30, 2016, 2017 and 2018 was 7,550, 7,800 and 8,256, respectively.

(2) The calculation of average boarding fee for the 2018/2019 school year excludes the six transient students who did not live in our school campus and thus, no boarding fees were collected from them.

Student Withdrawals and Refund

During the Track Record Period, very few students have withdrawn from our school during their enrollment at our school. In the event a student withdraws during the school year, we have refund policies in place at our school, which set forth the percentage of tuition and boarding fees that can be refunded to such student depending on when he/she decides to leave our school. Our refund policy was developed to comply with the regulations and policies on tuition and boarding fee refunds stipulated by the applicable local education pricing departments. Generally, if a student enrolls in our school and pays tuition and boarding fees but transfers to other school upon approval by the relevant school officials or is absent from our school due to death or illness before the end of a school year, we will refund the tuition and boarding fees for any remaining months, calculated on the basis of 12 months per year.

The following table sets out the number of students who dropped out of our school for the school periods indicated:

	Number of Students Withdrawn[1]							
	School Year							
	2016/2017[2]		2017/2018[2]		2018/2019[2]		2019/2020[2]	
	# of Students	% of Students Enrolled	# of Students	% of Students Enrolled	# of Students	% of Students Enrolled	# of Students	% of Students Enrolled
Heilongjiang College	28	0.4	24	0.3	24	0.3	15	0.2

Notes:

* Refers to the number of students who have enrolled in our school but were withdrawn during the school year. We present the number of students withdrawn based on the internal records of our school in August for the corresponding school year.

(1) During the Track Record Period, our students withdrew or transferred out of our school primarily for the following reasons: (i) students who have decided to immigrate to another country with his/her family or attend schools abroad; (ii) students who received medical treatment; and (iii) other personal reasons.

(2) The number of student withdrawals for the 2016/2017, 2017/2018 and 2018/2019 school years represents the number of student dropped out of our school for these respective school years, whereas the number of student withdrawals for 2019/2020 school year represents the number of students dropped out of our school for the six months ended February 29, 2020.

As of the Latest Practicable Date, five students had withdrawn from our school since February 29, 2020.

The table below sets forth the amount of tuition fees and boarding fees refunded to the students by our school for the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 29,
	2017	2018	2019	2020
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Refunded tuition fees	283,860	167,450	358,800[(1)]	209,700
Refunded boarding fees	22,980	33,720	30,140	22,320
Total	306,840	201,170	388,940	232,020

Note:

(1) The increase in the refunded tuition fees from RMB167,450 for the year ended August 31, 2018 to RMB358,800 for the year ended August 31, 2019 was primarily because (i) according to the refund policy of our school, for students who withdraw without completing their study for a full school year for the reasons approved by our school, we will refund the tuition and boarding fees in relation to the proportionate services not yet rendered. Since withdrawals in the 2018/2019 school year generally occurred earlier than the 2017/2018 school year, a larger amount of refund was issued; and (ii) the tuition fee rates for the newly enrolled students increased in 2018/2019 school year.

Educational Programs

Currently, we mainly offer the following types of educational programs at our school:

Bachelor's Degree Program

Our bachelor's degree program prepares students for productive careers in the fields of business, railway and arts. During the Track Record Period, our school offered 26 majors in various disciplinary areas, including 22 majors that we currently admit new students and four majors we had stopped enrolling new students as of the Latest Practicable Date. The 22 majors include three majors in the School of Railway, two majors in the department of electronic information engineering, three majors in the department of computer science and technology, four majors in the department of business management, one major in department of accountancy, three majors in the department of economics, two majors in the department of foreign languages, and four majors in the department of arts and communications. The four majors that we had stopped student enrollment are civil engineering and topographical engineering of the department of architecture and surveying engineering, animation and photography of the department of arts and communications. The majors we offered cover a comprehensive range of specialized fields of study, such as management, accounting, finance, marketing, electric information engineering, computer science and technology, software engineering, visual communication, art of broadcasting and hosting, and radio and television choreography. Each school/department has its own syllabus, which is formulated by the office of academic affairs of the respective school/department according to our school's talent cultivation requirements. The curriculum for each major includes core mandatory courses selected from the basic curriculum standards issued by the MOE for bachelor's degree students and major-related elective courses, which are specifically tailored to the respective educational objectives and requirements of the different majors, including up-to-date practical knowledge required by prospective employers in light of the evolving market trends. We believe our broad range of career-oriented curriculums enable us to equip our students with the necessary understanding and practical skills to meet the challenges in a variety of industry sectors. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, we had 7,550, 7,800, 8,256 and 8,818 students enrolled in our bachelor's degree program, respectively.

We have also established a number of programs in different areas of the market in which we have identified existing shortage of professional talents. For example, given the rapid expansion of the high-speed railway network and municipal subway systems in the PRC, we noticed a significant gap between the market demand and supply of professional talent in railway-and transportation-related areas. Situated on China's northeastern border, Heilongjiang Province is in an ideal position to capitalize on the new development opportunities through the Heilongjiang Land and Maritime Silk Road Economic Belt, part of the "One Belt and One Road" Initiative's China-Mongolia-Russia Economic Corridor. Under this initiative, railways will become the main axis linking regional networks of roads, gas pipelines, waterway transports, airports and power grids. With the construction and operation of multiple railway and subway projects underway in Heilongjiang Province in recent years, high-quality graduates in the field are in substantial demand and a railway-and transportation-related degree opens access to a wealth of employment possibilities, according to the Frost & Sullivan Report. As a result, we adjusted the majors offered in our department of engineering and renamed it the "School of Railway" in 2019. We adjusted three existing majors to cultivate students in railway and transportation concentrations, including electrical engineering and automation for railway electrification concentration (電氣工程及其自動化鐵路供電方向), mechanical engineering for vehicle engineering concentration (機械工程車輛方向) and the Internet of things for railway transportation concentration (物聯網鐵路運輸方向). In addition, we plan to jointly introduce several featured majors, such as vehicle engineering and transportation, in collaboration with a state-owned company that manages major railway lines in Heilongjiang Province, a state-owned municipal metro operating company and a public vocational college in Heilongjiang Province in the School of Railway in the 2020/2021 school. As of the Latest Practicable Date, we have submitted the application to introduce these featured majors to the Education Department of Heilongjiang Province and the MOE and obtained the relevant approval to set up two featured majors, namely, vehicle engineering and transportation in our School of Railway. We believe these new majors, together with our existing engineering-oriented majors, will infuse adequate professional talent in the relevant field and assist in the continued development of the railway networks and municipal subway systems in the PRC. In addition to our full-time faculty, we also invite industry experts to give lectures to our students and teachers and hold workshops at our practical training studios from time to time to provide our students with first-hand knowledge and industry insights. We work closely with our school-enterprise cooperation partners to design the relevant course curriculums and build qualified faculty teams. We also establish practical training studios and laboratories in our new Hanan Campus.

In light of the completion of the construction of the first phase of Hanan Campus in September 2019 and the enlarged school capacity, we plan to introduce the junior college to bachelor's degree transfer program in the upcoming 2020/2021 school year. Meanwhile, we are in the process of negotiating with Daqing High-tech Industrial Development Zone Management Committee, a local government authority in Daqing City, Heilongjiang Province, to set up a new school in Daqing that will offer junior college programs. Please refer to "– Our Business Strategies – Expand our business operations to achieve economies of scale" in this prospectus for details of this cooperation.

According to the Frost & Sullivan Report, junior college and undergraduate programs are parts of the formal higher education system in the PRC, which are only provided by the higher education institutions recognized by the MOE. Students who apply for either junior college programs or undergraduate programs are generally required to take the college entrance exam in China. Students who complete the junior college programs will be granted the junior college diplomas while students who complete the undergraduate programs will be granted the bachelor's degrees. Junior college programs usually take two or three years to complete and primarily focus on providing students with theoretical understanding and professional knowledge of their majors and cultivating their practical skills and abilities within their respective professional fields. On the other hand, undergraduate programs typically take four or five years to complete and mainly focus on providing students with education involving systematic theory, methodology and professional knowledge of their majors, and cultivating their skills and abilities in both practice and scientific research within their respective professional fields. Junior college to bachelor's degree transfer programs are offered to junior college graduates who passed the Provincial Bachelor's Degree Transfer Examination and intend to obtain the bachelor's degrees upon completion of the two-year transfer program.

Curriculums and Major Offerings

We believe that our carefully designed academic programs and the education services that students receive at our school play a crucial role in their future careers. During the Track Record Period, we offered 26 majors and 869 courses, including general education courses (通識課) that are mandatory for all students irrespective of the majors they concentrate, major-mandatory courses and elective courses. The general education courses are taught throughout the first academic year of a student's enrollment, which include advanced mathematics, computer science, physical education and English. Our curriculum development emphasizes teaching our students the professional skills and knowledge through a series of practical training activities and courses, as well as various off-campus internship opportunities.

Currently, with respect to the business-related and engineering-related majors we offer, we mainly focus on providing students with a broad range of educational programs. We believe these majors are currently in high demand in the relevant job markets. We generally introduce new majors based on the thorough industry-sector research we conduct to identify the areas that have significant demand for professional talents from prospective employers. For those majors that are no longer in high demand, we may reduce student enrollment plans or eliminate such majors altogether in the new school year. We also offer numerous arts majors, including radio and television choreography, art of broadcasting and hosting, visual communication design and environmental design.

The curriculums of the majors we offer are formulated by us taking into consideration the basic course curriculum standards issued by the MOE for the bachelor's degree students and are generally filed with and audited by the MOE and the Education Department of Heilongjiang Province during the review of the application to establish new majors. We are allowed to have the flexibility to adjust and optimize the course offerings without providing further notifications to the education authorities, provided that we do not materially deviate from the basic course curriculum standards.

Online Education System

With a view to providing better education services and easier access to our students and foster their mastery of necessary knowledge and skills, in addition to traditional in-class education, we have also utilized certain third-party online platforms, which had provided our students with approximately 120 courses developed by such platforms, allowing them to download the learning materials, communicate with teachers, download and upload their homework, participate in group projects and take online tests and exams. These online courses are freely available to our students. As of February 29, 2020, we launched several online mandatory courses on these third-party online platforms, including entrepreneurship foundation, entrepreneurship and practice, psychological health education for university students and career planning of university students. We also launched the "I win the workplace" (我赢職場) course in June 2018. As of February 29, 2020, more than 40,000 students from 110 universities in the PRC had participated in this course and the number of online visits to this course had reached over 9 million. This course covers various topics relating to workplace and professional settings, including workplace do's and don'ts, interview skills, workplace etiquette, workplace communication methods, workplace mindset, emotional intelligence, career planning and health. We aim to equip university students the basic skills to achieve success in workplace and professional settings, enhance their self-confidence and improve their adaptive ability to timely adjust to the changes in a professional environment and in society in general. "I win the workplace" course was recognized as a provincial-level "boutique online open course" (在線精品課程) by the Education Department of Heilongjiang Province in 2018.

In light of the epidemic outbreak of COVID-19 in the PRC, our school has postponed the opening of our school campuses for the spring semester of the 2019/2020 school year. As a result of which, we started teaching and learning activities via online platforms beginning on March 2, 2020 before our students and faculty were initially set to return to school. To facilitate online teaching, our teachers attended the relevant technology trainings provided by various online platforms recommended by the MOE and we selected a number of suitable platforms to conduct teaching with reference to the characteristics of each major course. In February 2020, the MOE issued the Jiao Gao Ting (2020) No.2 Guidance Opinion of the COVID-19 Pneumonia Epidemic Response Working Leadership Group Office of the MOE Regarding the Coordination and Management of Online Teaching for Higher Education Institutions During the Period of COVID-19 Epidemic Control and Prevention (《教高廳(2020)2號教育部應對新型冠狀病毒感染肺炎疫情工作領導小組辦公室關於在疫情防控期間做好普通高等學校在線教學組織與管理工作的指導意見》), advocating the provision of online education services and resources by market participants on a charge-free basis. In support of such advocacy, all of the platforms recommended by the MOE in this guidance opinion volunteered to provide services during the time of the COVID-19 outbreak, including the technology trainings for teachers and teaching and learning functions, to the schools in the PRC free of any charge out of social charitable consideration and as part of their efforts to help minimize the social disruption caused by the COVID-19 outbreak. As such, we were able to use these platforms without entering into any service agreements or incurring any expenses. Teachers are able to utilize available online tools to conduct their courses, either through the live streaming function or recorded lectures. Teachers are also able to select existing on-line courses that match their teaching objectives. These online platforms allow students to interact with teachers, submit their homeworks and attend after-class tutoring sessions. Taking into account of the different features of online teaching as compared to traditional in class teaching, our teachers have prepared and adjusted their teaching materials and course designs accordingly, and they were also actively involved in social media communications with students to facilitate teaching and closely monitor students' learning progress. By offering online teaching services, we managed to minimize the impact of the COVID-19 outbreak and allow students to maintain the progress of their learning. We will continue to conduct online teaching and learning until the MOE and local education bureau instruct us to reopen our school campuses. As advised by our PRC Legal Advisors, the launch of the courses developed by us on these third-party online platforms, which were operated and managed by Independent Third Parties, and the use of the education resources available thereon by our students and faculty do not involve any activities in relation to the provision of basic or value-added telecommunication services. Therefore, these activities do not require a telecommunication business license on our part.

In the event online education platform services currently provided by third parties are no longer available free of charge to us after the COVID-19 outbreak is effectively contained, in order to prepare our school for the return of students in the fall semester of the 2020/2021 school year and expand our online teaching capability and resources, we entered into a service agreement with Beijing Muhua Information Technology Co., Ltd.* (北京慕華信息科技有限公司), which is a prominent online education platform service provider in the PRC that is ultimately controlled by Tsinghua University, pursuant to which our school will use the professional version of an intelligent teaching solution, Yu Ke Tang (雨課堂) developed by the online education office of Tsinghua University, for a term of three years beginning in August 2020 for an aggregate service and maintenance fee of RMB600,000. Yu Ke Tang is an innovative solution that combines the features of massive open online course, social media platform, and live streaming lecture functions, which allows teachers to conduct lectures online in real time and simultaneously interact with students, provides students with all-time access to in-class materials, and offers an extensive selection of open courses from multiple educational resources.

Graduation and Employment

During the Track Record Period, our school has achieved relatively high initial employment rates for graduates. For the 2016/2017, 2017/2018 and 2018/2019 school years, we had 1,797, 1,676 and 1,964 graduates, respectively, and the initial employment rates were 78.7%, 80.2% and 90.9%, respectively. According to the Frost & Sullivan Report, our school ranked fourth among all private higher education institutions in Heilongjiang Province in terms of initial graduate employment rate of undergraduate programs in the 2017/2018 school year. The following table sets forth the number of graduates and initial employment rates for the graduates from the bachelor's degree program of our school by program for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2016/2017		2017/2018		2018/2019	
	# of Graduates	Initial Employment Rate[(1)]	# of Graduates	Initial Employment Rate[(1)]	# of Graduates	Initial Employment Rate[(1)]
		(%)		*(%)*		*(%)*
Bachelor's degree program	1,797	78.7	1,676	80.2	1,964	90.9

Note:

(1) The initial employment rate was calculated by dividing the number of students who, as of August 31 of each year, (i) entered into employment contracts with various enterprises or organizations; (ii) participated in local government projects; (iii) started their own entrepreneurships; (iv) enrolled in the military of the PRC; (v) attended graduate programs offered by other universities in the PRC or overseas; or (vi) engaged in other flexible types of employment, excluding the number of students who took part-time employment jobs, by the total number of students graduated during the previous school year.

Educational Approach

Our educational approach primarily comprises the following:

Employment-focused Majors and Career Planning Initiatives

We adopt a market-oriented educational approach for our course design and we are committed to cultivating well-rounded students that are desired by employers in the relevant industries. We have dedicated our resources to developing comprehensive and diversified curriculums encompassing a broad range of practical major offerings. We typically conduct extensive and thorough market research in a variety of industries and use the prevailing market demand to guide our school's major offerings. When the market demand changes, we formulate major offering plans to determine whether to upgrade existing majors, introduce new majors or stop recruiting students for certain majors, subject to the approval by the relevant educational authorities. We generally determine new majors to be offered by our school based on (i) analyzing our current major offerings; (ii) considering the relevant national policies and social economic development trends, and the special circumstances of the geographical region where our school is located; and (iii) examining the types of majors offered by our competitors. We plan to introduce several featured majors relating to railway and transportation in collaboration with a state-owned company that manages major railway lines in Heilongjiang Province, a state-owned municipal metro operating company and Heilongjiang Communications Polytechnic, subject to the final approval from the MOE, through which we aim to train high-quality graduates in light of the substantial demand in the railway and transportation sector in Heilongjiang Province. We believe these majors and curriculums will be instrumental in equipping our students with readily applicable and practical skills that enable them to meet the demand of a rapidly evolving labor market.

School-Enterprise Collaboration

Our school has forged meaningful industry connections and established school-enterprise collaboration programs to merge resources from our school and third-party enterprises and institutions to create an educational environment that blends academic teaching with practical training. While we emphasize theoretical in-class teaching and learning, we also encourage students to take practical training courses or participate in internships to sharpen their skills. We believe our applied teaching methodology and hands-on training prepare students to be gainfully employed in their respective fields of study. As of February 29, 2020, our school has collaborated with 77 enterprises and established and operated approximately 90 laboratories within, and 49 practical training bases outside of, our school campuses. We collaborate with enterprise partners engaged in the fields of Internet of intelligence engineering, Internet of things engineering, railway engineering, vehicle engineering and transportation, among others, in various aspects to give our students both academic and practical experience in their fields of interest. The methods of school-enterprise collaboration include, among others, providing practical trainings for our teachers, having classes taught by outside industry experts at our school, constructing enterprise-like simulated training laboratories, and providing our students internships and job opportunities with our collaboration partners.

Aside from the aforementioned methods, and in light of the policy jointly formulated by the NDRC and the MOE, which encourages business enterprises and higher education institutions to consolidate resources to integrate the industry and higher education, we also cooperated with enterprise partners in setting up industrial and educational integration and innovation projects and bases. In order to provide students with the opportunity to apply and practice the knowledge and skills they learned in a classroom setting, and to further enhance their expertise in the fields of interest, our school has established and operated 11 industrial and educational integration innovation projects and constructed one industrial and educational integration and innovation base during the Track Record Period. Our industrial and educational integration and innovation base and projects cover a wide range of practices, including, among others, accounting and finance, online marketing, Internet of things engineering and mechanical engineering. We plan to design and construct more bases in accordance with the principles of building an enterprise-like training environment, implementing task-based simulation training programs and providing students with a replicated work environment to ensure there is a seamless connection between in-class studies and real-world professional requirements. For example, we entered into a cooperation agreement with Zhonglian Huitong in May 2018, pursuant to which, they had invested in and set up an industrial and educational integration and innovation base at our school. This training base has an aggregate gross floor area of approximately 440 sq.m. and consists of a practical training studio, a lecture room and a technical support center. Under this arrangement, our school and such enterprise will jointly formulate the education plans and curriculum offerings, and design the teaching materials for Internet of things engineering. The industrial and educational integration and innovation base will be used for teaching and training purposes, including offering the relevant technology courses and professional training and cultivation courses to our students.

With our effort to further explore school-enterprise collaboration opportunities, in April 2020, our school entered into a cooperation agreement with Phoenix, a professional service provider of digital media education to jointly establish the School of Digital Media within our school which will offer our existing broadcasting and television production, visual communication design majors in the 2020/2021 school year and digital media arts major that we intend to introduce jointly with Phoenix in 2021/2022 school year. The salient terms of the cooperation agreement include, among other things: (i) the initial term of the cooperation to establish the industrial school shall be 12 years commencing on May 1, 2020 and continuing until December 31, 2031, subject to renewal by both parties; (ii) the dean of the School of Digital Media will be appointed by our school and the executive dean will be appointed by Phoenix; (iii) a school-enterprise cooperation committee will be established and shall initially constitute six members consisting of three members to be recommended by our school and the remaining three members to be recommended by Phoenix; (iv) premises for the School of Digital Media will be located at our school campus and both parties shall invest in the facilities, equipment and teaching materials necessary to carry out the courses and trainings; (v) for the students enrolled in the School of Digital Media, our school will provide public and professional cornerstone courses while Phoenix will be responsible for designing and offering practical skill-oriented professional courses and trainings, as well as providing industrial workshops, entrepreneurship development guides, graduation design and internship and employment opportunities; and (vi) our school will be obliged to pay RMB5,000 of service fees per student per school year to Phoenix for the development and introduction of the relevant courses, trainings and other related services beginning in the 2020/2021 school year. However, with respect to students who are classes of 2017, 2018 and 2019, the service fee rate would be RMB1,500 per student per school year, subject to further adjustment as mutually agreed by the parties.

On April 13, 2020, our school entered into a strategic cooperation agreement with Heilongjiang Russia Express Technology Business Incubator Co., Ltd.* (黑龍江俄速通科技企業孵化器有限責任公司), a third-party incubator that prioritizes in facilitating the cross-border e-commerce trades between Russia and China. The two parties will jointly (i) establish a simulation and practical training base for students of business majors of our school; (ii) provide trainings to nurture dual-qualified teachers who possess both adequate academic background and teaching skills along with the relevant industry experience and practicable knowledge; and (iii) encourage our students to start their own entrepreneur projects involving cross-border e-commerce with the support provided by the incubator in terms of cross-border logistics, operation techniques and overseas advertising and promotion, among other things. This agreement will remain in effect until mutually terminated by both parties.

On May 11, 2020, our school entered into a school-enterprise cooperation agreement with SHEC for a term of three years. SHEC is a wholly owned subsidiary of China Communications Construction Company, Ltd., which is a major state-owned multinational engineering and construction company listed on the Stock Exchange. The salient terms of the cooperation agreement include the following: (i) SHEC will accept graduating students of our school as interns for ongoing engineering projects or research and development positions; (ii) SHEC and our school will jointly establish laboratories or practical training centers, formulate school-enterprise talent cultivation classes and cooperate in research and development and entrepreneurship education; (iii) the two parties could arrange technicians with extensive practical experience at SHEC to teach their profession-related courses at our school on an as-needed basis; (iv) with the approval of SHEC, our school may select teachers to (a) work and undertake trainings at SHEC for a period of four to six months, during which they will be involved in the engineering projects and business operations of SHEC and be entitled to allowances; and (b) participate in scientific research and technical service projects that are funded by SHEC; and (v) SHEC shall have priority in employing the graduating students of our school who are deemed qualified by SHEC based on their internship performance for the positions relating to their concentrations.

Moreover, our collaboration not only benefits our students but also our teachers. We encourage our teachers to get involved in external projects through which they are able to accumulate relevant industry experience and enhance their professional skills. We believe this practice will enable our teachers to gain significant insight into the new trends in the relevant industries and bring mutual benefits to our teachers and students when teachers are able to improve the quality of their teaching through enhancing their own practical skills and enriching their relevant industry experiences.

Students and Student Recruitment

According to the Frost & Sullivan Report, our school ranked eighth among the private higher education institutions in Heilongjiang Province in terms of full-time student enrollment in the undergraduate programs in the 2018/2019 school year.

Our school participates in the PRC national and local admission scheme pursuant to which the graduating high school students nationwide are required to take the National Higher Education Entrance Examination, achieve the required total score and follow the national and local admission standards and application procedures. The number of students we are able to admit is set and approved by the Education Department of Heilongjiang Province. Each province in the PRC sets its own minimum National Higher Education Entrance Examination scores for different academic programs, and the universities in each province then evaluate and admit prospective students based on their entrance exam scores and preference rankings of different universities.

We believe the reputation of our school, the relatively high initial employment rate of our graduates, the quality of our teaching services, the diversity of our major and curriculum offerings and the qualification of our teachers are important elements that attract prospective students. Our new student enrollment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. Our recruitment team generally consists of three full-time admission officers, ten part-time admission personnel and a total of over 100 student volunteers. To attract more high-quality applicants, our recruitment team members also attend college fairs organized by certain provinces in the PRC and provide recruiting presentations and Q&A sessions to prospective students. During the Track Record Period, the scores of our applicants were generally higher than the provincial average admission score thresholds.

In addition to various scholarships and grants offered by the national and local education authorities and other institutions, we offer scholarships and grants to students with excellent academic records ranging from RMB200.0 to RMB600.0 per student per school year.

Examinations and Grade Assessment

Our school administers examinations at the end of each semester to test the students' understanding in various subject matters. The final grade a student receives for a particular course generally consists of his or her performance in the written examinations and/or coursework assessment, which account for 60% and 40% of the total grade, respectively. The written examination primarily takes the form of closed book and/or open book examinations, while the coursework assessments consist of projects and other forms of evaluation, including students' participation in classes, their performance in written papers, homework and quizzes, as well as the results of their internship evaluations and training and practical examinations. The examinations are typically formulated by members of our teaching and research office based on course syllabi and are approved by the dean of each school/department of Heilongjiang College.

Career Development and Graduate Employment

We believe that career development is an integral part of the educational services our school provides to students. It is of great importance to both our school's reputation and students' future careers. We aim to promote graduate employment and endeavor to help our students secure suitable jobs. We tailor our profession-oriented training to meet individual student's career development needs through our school-enterprise cooperation and workplace simulation practical training programs. Our school offers courses that are primarily focused on providing students with ideas and skills that are useful for their chosen careers. We encourage our students to plan their future career as early as possible. In addition, our school has cooperated with different third-party enterprises to offer our students potential internship and job opportunities. Moreover, we provide a wide range of employment-related services to students and organize various employment-related events, such as job fairs and career placement training, to enhance their interview skills, elevate their confidence and improve their communication skills. Students regularly receive online notifications and newsletters for new job opportunities and upcoming on-campus and off-campus career development related events. When students with difficulties in job search approach the career center for counselling services, the officers will provide tailored career advice based on the student's personal interests and preferences to fine-tune his or her education and career plans. We also provide subsidies to graduates with financial difficulties when they conduct job searches. In addition, we encourage our students to start their own business and cultivate their entrepreneurship spirit. From 2017 to 2019, our students participated in the "Learn Entrepreneurship Cup" College Students' Innovation and Entrepreneurship Comprehensive Simulation Contest in Heilongjiang Province (黑龍江省高校"學創杯"大學生創新創業綜合模擬大賽) and received the highest award for three consecutive years. For the 2016/2017, 2017/2018 and 2018/2019 school years, we had 1,797, 1,676 and 1,964 graduates, respectively, and the initial employment rates were 78.7%, 80.2% and 90.9%, respectively.

Our Teachers, Teacher Recruitment, Training and Evaluation

We believe the quality of education services we provide is largely dependent on the quality of our teachers. As of February 29, 2020, our full-time teachers had an average of approximately five and half years of teaching experience. As of the same date, all of our full-time teachers had obtained a bachelor's degree or above or completed the requisite courses of the undergraduate programs, and approximately 56.7% of our full-time teachers had obtained a master's degree or above.

The table below sets forth the number of our teachers for our school for the school years indicated:

	School Year(1)			
	2016/2017	**2017/2018**	**2018/2019**	**2019/2020**
Teachers				
Full-time teachers	272	237(2)	230(2)	235
Part-time teachers	128	143	170	217
Total	400	380	400	452

Notes:

(1) Our school year generally starts in September 1. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of students' academic files, the collection of tuition and boarding fees and other operating activities are generally completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus.

(2) The decrease in the number of full-time teachers in the 2017/2018 and 2018/2019 school years as compared to the 2016/2017 school year was primarily because certain teachers were transferred to administrative positions at our school who no longer gave lectures to our student.

The following table sets forth a breakdown of our full-time teachers in terms of education qualification for the school years indicated:

	Number of Full-time Teachers			
	2016/2017(1)	**2017/2018(1)**	**2018/2019(1)**	**2019/2020(1)**
Highest Educational Qualification				
Doctoral degree	1	3	4	3
Master's degree	143	130	134	131
Bachelor's degree(2)	128	104	92	101
Total	272	237	230	235

Notes:

(1) The statistics relating to the number of full-time teachers in each educational qualification for each school year are based on our school's internal records as of September 30 of each school year.

(2) For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, the number of full-time teachers with bachelor's degree included 12, eight, eight and five full-time teachers, respectively, who had completed the requisite courses of the undergraduate programs but did not obtain the relevant bachelor's degree certifications from their respective universities.

The table sets forth the teacher-student ratio for our school as of the dates indicated:

	Teacher-student Ratio(1)			
	School Year			
	2016/2017	2017/2018	2018/2019	2019/2020
Heilongjiang College	1:18.9	1:20.6	1:20.6	1:19.5

Note:

(1) Teacher-student ratio is calculated based on the number of students enrolled and the number of teachers as of September 30 of each school year for our school. The number of students enrolled and the number of teachers are based on our school's internal records. The calculation is made in accordance with the calculation method used by the relevant education authorities as stipulated by the School Condition Notice. According to the School Condition Notice, the student enrollment used to calculate teacher-student ratio of higher education institutions equals the number of students in bachelor's degree, and the number of teachers used equals the number of full-time teachers, plus the number of part-time teachers who have been employed by our school for over two years, plus 0.5 times the number of part-time teachers who have been employed by our school for less than two years.

According to the School Condition Notice, except for sports and arts schools, higher education institutions shall maintained their qualified teacher-student ratio at a level of not less than 1:18, and the applicable restrictive teacher-student ratio shall be not less than 1:22. As advised by our PRC Legal Advisors, the teacher-student ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the School Condition Notice, which are the important bases for measuring the basic operation conditions of higher education institutions in the PRC and approving the annual student admission quota, including the teacher-student ratio and the ratio of teaching and administrative building area to the number of students enrolled, among other things. For separate details of the ratio of teaching and administrative building area to the number of students enrolled, please refer to the section headed "– Properties – Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled" in this prospectus.

The basic school operating condition indicators are categorized into the "Qualified Indicators" (which includes the qualified teacher-student ratio) and the "Restrictive Indicators" (which includes the restrictive teacher-student ratio). In the event that one of the basic school operating condition indicators of a school does not meet any of the Restrictive Indicators, the school may receive a yellow card issued by the competent authority and its student admission must not exceed the number of the graduates in the same year. Moreover, in the event that a school receives a yellow card for three consecutive years, it may receive a red card issued by the competent government authority and its student admission for the next school year will be subject to suspension. As advised by our PRC Legal Advisors, there is no provision under the School Condition Notice stipulating that the schools which failed to meet the Qualified Indicators are subject to any legal consequences. During the Track Record Period, our school did not comply with the qualified teacher-student ratio but have met the restrictive teacher-student ratio requirement.

On July 1, 2019, we, with the assistance of our PRC Legal Advisors, consulted with an official of the Education Department of Heilongjiang Province. According to the consultation, it was confirmed that, the basic school operating condition indicators of our school (i.e., the qualified teacher-student ratio) did not fully comply with the School Condition Notice. However, such non-compliance is not considered illegal and will not trigger any penalty or limitations on the student admission or operation of our school. As advised by our PRC Legal Advisors, the Education Department of Heilongjiang Province is the competent authority to confirm the matters relating to these regulatory requirements of our school. Our Directors have also confirmed that our school has not received any yellow or red card(s) from, or been subject to any form of administrative penalty by, competent authorities in relation to its compliance with the teacher-student ratio during the Track Record Period and up to the Latest Practicable Date.

We endeavor to continuously improve the quality of our education and the teacher-student ratio is one of the many metrics under consideration. We will monitor and adjust the teacher-student ratio as necessary and where practicable based on the needs of our increasing student enrollments and our school's education plans and activities without compromising the quality of our education or profitability. We intend to devote additional resources to stepping up our teacher recruitment and retention efforts going forward to further improve our teacher-student ratio and our overall teaching quality in light of our growth in student enrollment and the complexity of our course offerings. With respect to Hanan Campus, we will consult with the relevant government authorities regarding these ratios and ensure that the new campus will not be penalized in relation to these ratios before the full commencement of the school operations. Through our various approaches in teacher recruitment, we believe that we have sufficient access to abundant teaching resources that would enable us to improve our teacher-student ratio and, most importantly, the quality of our education. We aim to comply with the relevant teacher-student ratio requirements and will update the status of compliance in the interim and annual reports to be issued subsequent to the Listing.

As we focus on providing applied science education and are committed to equipping our students with practical and readily applicable skills sought by potential employers, we seek to engage teachers with industry work experience to teach practical skill-oriented courses. As a higher education service provider, we also offer our students general education courses as required by the MOE, such as university level English, mathematics and Chinese. We typically do not require teachers who teach these courses to have applied sciences-related experience. In addition, through our collaboration with enterprise partners, we invite industry experts working in our enterprise partners to give lectures to our students in our school from time to time.

Teacher Recruitment

The human resources office at our school is responsible for recruiting qualified teachers. We recruit teachers based on the size of our current student enrollment and the number of newly admitted students at the beginning of each school year. The recruitment process consists of a written examination, a simulated lecture and interviews conducted by our management, which collectively assess the academic competence of the teaching candidates' areas of study, their communication and interpersonal skills in effectively delivering their lectures to our students and the overall performance to determine whether the candidates are suitable of being part of our faculty. Before they can officially start teaching activities, newly hired teachers will need to give mock lectures at their respective departments until they pass our internal assessments. We generally expect our teacher candidates to have obtained either a postgraduate degree or hold professional qualifications of intermediate level or above as recognized by the competent authorities. We adopt various methods to recruit teachers, such as attending job fairs at targeted universities, organizing and participating in recruitment activities and posting online recruitment advertisements on our school website. We strictly vet teachers' credentials and work experiences, including, among others, checking the education degree certificate, professional title certificate, teacher qualification certificate and identification card of newly hired teachers. Typically, our employment contract with a newly hired teacher has an initial term of three years, and is renewable upon expiration according to the PRC Labor Law.

Teacher Retention

Since the retention of talented teachers is a prerequisite for the stable development of our school and a key part of maintaining the quality of our education services, we have adopted the following measures:

- We believe we offer relatively competitive compensation and professional development opportunities to our teachers. Our teachers' compensation package typically includes (i) a base salary, performance-based bonus, bonus for extra work (超工作量獎金) and post allowance (崗位津貼), as well as subsidized lunch meals, mobile services and transportation arrangements for our teachers; and (ii) annual medical check-ups and commuter transport services to our teachers free of charge. Our investment in the research and development fund allows teachers to improve their scientific research capabilities in different disciplines of studies. In addition, we provide our teachers with continuing education opportunities, including regular trainings and ability for certain of our teachers to enroll in post-graduate degree programs while keeping their current positions at our school, as well as potential concurrent work opportunities at various business enterprises;

- we have been constantly optimizing our promotion mechanism, which allows our teachers to see the potential of their success at our school and the fact that their contributions and dedication will be highly valued and recognized; and

- we share with our teachers our strategic goals, our historical accomplishments and future aspirations, which enhance their belief in our potential to grow together with our school, as well as their sense of belonging to our community.

The following table sets forth our school's retention rate of full-time teachers for the school periods indicated:

	School Year							
	2016/2017(1)		2017/2018(1)		2018/2019(1)		2019/2020(2)	
	# of Full-time Teachers Left	Retention Rate of Full-time Teachers	# of Full-time Teachers Left	Retention Rate of Full-time Teachers	# of Full-time Teachers Left	Retention Rate of Full-time Teachers	# of Full-time Teachers Left	Retention Rate of Full-time Teachers
		(%)		(%)		(%)		(%)
Heilongjiang College	14	94.9	14	94.1	16	93.0	8	96.6

Notes:

(1) The number of full-time teachers left our school for the 2016/2017, 2017/2018 and 2018/2019 school years included those teachers who left our school as of August 31, 2017, 2018 and 2019, respectively.

(2) The number of full-time teachers left our school for the 2019/2020 school year included those teachers who left as of February 29, 2020.

Teacher Training Program

We provide our teachers with several types of trainings to improve their teaching abilities. Newly hired teachers undergo mandatory training programs that cover, among others, teaching skills and techniques, teacher management policies and education theories. We also provide continuing training programs for our teachers so that they can stay abreast of the changes in student demands, new teaching theories and/or methodologies, changing testing standards and other trends. In addition, in order to provide further training to our teachers, we also provide opportunities for our teachers to (i) work for school-enterprise cooperation partners on a secondment basis or attend intensive training programs at such enterprises; and (ii) study, with subsidies, at other schools. In order to expose our teachers to the latest international teaching developments, 81 of our teachers attended a 15-day training program at the Concordia University in Chicago in 2018 and 2019. These teachers participated in trainings with respect to, among other things, university culture construction, university governance, student services and management, curriculum design, course material selection, teaching methodologies, and student assessments through lectures, site visits, seminars, class observations, academic exchanges and discussions and presentations.

Teacher Performance Review

To ensure that we continuously provide high-quality education to our students, we conduct teacher performance reviews and evaluations periodically. We monitor the overall teaching quality during each semester and periodically conduct teaching evaluations to maintain our teaching standards, which include in-class observations, evaluation of our teachers' pre-class preparation, review of the teaching plans and/or the effectiveness of their classroom instructions. We may take into consideration the performance of each teacher when making decisions regarding their compensation scheme and their career development in our school.

Selection and Design of Teaching Materials and Textbooks

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education. Our school has implemented a set of teaching material management policies, which cover the selection, procurement, distribution and management of the teaching materials to be used by our school. We generally prefer to select textbooks formulated according to the national plan or awarded textbooks. We generally require our school to adopt and use teaching materials published within the past three years, which must comply with the basic course requirements and course syllabi for each major offered at our school.

In addition, we also permit our elective courses to use teaching materials and textbooks designed and published by our teachers, who generally create appropriate teaching materials based on the features of the courses they teach and the majors we offer, subject to the approval by the office of academic affairs.

OUR SCHOOL MANAGEMENT

We have established a school management system through which we consistently manage certain aspects of our school, including, among others, market research, school administration and campus services, to support and facilitate the effective implementation of our comprehensive educational approach.

Market Research

We generally conduct market research from time to time to select, design and update our major and curriculum offerings at our school. We keep track of and analyze our graduates' initial employment records to keep abreast of the employment market. Through our extensive school-enterprise cooperation arrangements with a number of private enterprises, we have the ability to identify key industry segments where we believe the demand for professional talent is strong. In connection with our market research, we also consider the direction of the major development and the changing requirements of professional talent sought after by potential employers. As part of our effort to bridge the gap between the industry elites and our teaching and learning process, we initialized the establishment of an academic and industry organization Heilongjiang Software Federation to reach out to the talented workers and practitioners in the software development industry and keep up with the latest trends and achievements, preparing us with in-depth knowledge of the market as well as academic circle. We subsequently incorporate the results of our research into an official application to create new majors at our school to be submitted to the PRC provincial educational authorities for approval. Such application usually also includes the relevant operating experience of our school, the availability of educational resources to open the new majors, such as the sufficiency of teachers, the details of the available laboratory spaces and libraries, and a comprehensive plan for the cultivation of professional talent. During the Track Record Period, we introduced four new majors in response to the changes in market demand, including electronic commerce, the Internet of Things, business English and business economics.

School Administration

In order to enhance the quality of the education we provide, lower our operating costs and improve our corporate efficiency, we have implemented a series of measures to administer our school in a coordinated manner. For example, we have several information systems installed to improve the work efficiency of our staff and reduce operation costs by regulating and standardizing the work flows of the administration of our school, including a private cloud computing platform, an office automation system, a security monitoring system and a video conference system that connect our Songbei Campus and Hanan Campuses, among others. Our school is also dedicated to build energy-saving eco-friendly campuses with (i) campus buildings that were constructed in accordance with the national standards for eco-friendly and energy efficient buildings; and (ii) all LED energy-saving lights installed in our campuses. In addition, we outsourced certain professional services provided to our staff and students, including sanitary, security and transportation services, among others, in an effort to increase our operation efficiency. Furthermore, our Board has also approved a set of policies and procedures relating to, among others, corporate governance, risk management, anti-bribery and conflicts of interest matters, which are aimed at strengthening the management and governance of our school. Under the direction of our school's board, our principal and deputy principals are responsible for the daily management and operation of our school.

School Information Technology Infrastructure

To facilitate our students' and teaching staff's access to the most up-to-date and expansive information resources and encourage self-learning, we have invested approximately RMB21.5 million into implementing and upgrading our information technology infrastructure, including electronic equipment and software, among others, during the Track Record Period. Specifically, we implemented the following:

- the Massive Open Online Course ("MOOC") system, which enables students to use mobile devices to study online courses anytime and anywhere they want. Our teachers will participate in the process by tutoring, assigning homework and assisting students' self-learning. In the event where students are not confident whether they have digested the online materials, courses can be replayed and repeated. This system not only enhances our students' self-learning ability but also reduces the workload of our teachers and the costs spent on elective and general education courses;

- the private cloud computing platform, which functions as a server that supports the majority of our school's information systems, including office automation system, teaching affairs management system, website management system and the MOOC system, among others. We also engaged a leading telecommunication company in the PRC to build a virtual desktop system that supports our training center for economics and management majors. The application of this technology not only reduces the workload and maintenance costs of user-side terminal equipment, but also gives us the flexibility to upgrade server and facilitate future hardware upgrade with minimum expenditure; and

- the security and teaching integrated monitoring system covering all our school's teaching facilities, which allows our teaching quality management personnel to simultaneously monitor the teaching process of multiple classrooms in a real-time. This reduces the number of quality management personnel we need, and improves the teaching quality management in a cost-effective manner.

Campus Services

The campus service arrangements at our school include meal catering services, campus stores, medical care services and transportation services for our staff.

Meal Catering Services

As of the Latest Practicable Date, we self-operated one canteen at our Songbei Campus and one canteen at our Hanan Campus. We also outsourced certain featured cuisines and drink services at our school to third-party catering service providers, all of whom are Independent Third Parties. For the meal catering services that we operate in-house, we have obtained the requisite licenses and permits, such as the license for food operation service (食品經營許可證). For meal catering services outsourced to third-party service providers, we typically enter into one year outsourcing agreements. Under such arrangements, we provide premises required to the catering providers in return for a management fee. We require all third-party catering service providers to obtain requisite licenses and permits required by applicable laws and regulations. These providers provide on-demand catering services to our students and faculty from 6:00 to 20:30 each day, and must ensure food quality and safety. For the risks associated with meal catering services, please see "Risk Factors – Risks Related to Our Business and Our Industry – We currently outsource part of certain meal catering services at our school to Independent Third Parties and, as a result, we cannot guarantee the quality and price of the food it serves to our students and therefore, we may be exposed to potential liabilities if we cannot maintain food quality standards" in this prospectus.

Campus Stores

We provide premises and management support to several convenience stores and a telecommunication branch store operated by various third-party operators for a fee. We usually enter into agreements with a term typically ranging from three to five years or on temporary basis with the store operators, all of which were Independent Third Parties as of the Latest Practicable Date, regarding the lease of the premises on our school campuses. Under such agreements, we agree to lease the premises to a store operator for a specified amount of rent. The store operator is obliged to obtain permits and licenses as required by the relevant laws and regulations. We also have certain internal policies in place to manage and supervise the daily operation of these campus stores.

Medical Care Services

We operate one health promotion center with one medical staff at Songbei Campus and are in the process of upgrading our school clinic in Songbei Campus and setting up a medical clinic in Hanan Campus. The estimated amount of capital expenditure to set up this medical clinic is approximately RMB0.7 million, which will be primarily funded by the surplus of our school operation. It is expected to be established and put into operation in August 2020. Our medical care facilities will provide health promotion and disease prevention services, as well as basic healthcare services, including diagnosis and treatments for our students and staff free of charge. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. In addition, we engaged a local hospital, Harbin Meiyi Hospital* (哈爾濱美頤醫院), which is an Independent Third Party, to provide comprehensive medical care services to our students, conduct health checks for newly admitted students, provide guidance to our medical staff and organize health education lectures to our students at Songbei Campus. We entered into a service agreement with such local hospital for a period of three years from March 1, 2018 to February 28, 2021. As of the Latest Practicable Date, this hospital had obtained the requisite medical institution practice license in the PRC.

We have implemented a series of measures to upgrade our medical services and facilities, which include the following:

- the current school clinic in the Songbei Campus will be expanded to a facility with a gross floor area of approximately 800 sq.m., and will be equipped with additional medical devices and beds. We plan to increase the number of medical staff to four healthcare professionals, including a general practice doctor and three nurses, who will be responsible to provide consultation on common diseases, prevention and treatment of diseases and general health education;

- establishing a community hospital in Hanan Campus with a planned gross floor area of not less than 2,000 sq.m., which will include a clinical section, a public health section, imaging electrocardiogram, rooms and a pharmacy. As of the Latest Practicable Date, we were proactively liaising with local authorities to obtain the registration and medical institution practice license from the local sanitary and health bureau; and

- setting up a joint health care and physical examination center with a large public hospital to ensure premium medical services can be provided to our students and staff.

Transportation Services

We offer free commuter transport services for our staff. As of February 29, 2020 and the Latest Practicable Date, the vehicle management department of our school operated six vehicles to provide such services.

OUR EXPANSION PLAN

As part of our efforts to achieve business growth and to improve the quality of education services we could offer to our students, we plan to further expand our Hanan Campus.

Reasons for Expansion

Our continuous growth requires the expansion of our existing campuses. From the 2016/2017 school year to the 2018/2019 school year, our school had maintained the same student capacity while its school utilization rate had been over 90% for each school year. In order to remain competitive, in addition to improving the quality of education, we need to increase the student capacity of our school so that it can maintain a reasonable balance between student recruitment and school utilization, and establish more workplace simulation training platforms for our students.

Hanan Campus

Hanan Campus was established in Hanan Industrial New City, Harbin City, Heilongjiang Province. The first phase of the construction was completed in September 2019, which involved a portion of the campus with an aggregate gross floor area of approximately 138,876.3 sq.m. The new campus increased the capacity of our school by approximately 4,440 students. The second phase of the construction involves an aggregate planned gross site area of approximately 200,000 sq.m. We expect to commence construction in the third quarter of 2020, which is anticipated to be completed in 2023. This expansion is likely to further increase the capacity of our school by approximately 3,000 students. The second phase of Hanan Campus will primarily include student dormitories, a canteen and a student exchange complex, as well as two additional practical training centers for our students in the department of economics and department of arts and communications.

As of the Latest Practicable Date, we were in the process of completing the construction design of the second phase of Hanan Campus. We do not expect that the outbreak of COVID-19 will adversely impact or delay our current construction timeline. According to the reports of the National Health Commission of the PRC, Heilongjiang Province had not recorded any confirmed cases of COVID-19 for an extended period of time. To the best of our knowledge, the local construction contractors have resumed work as of the Latest Practicable Date. In addition, we do not anticipate that the COVID-19 pandemic will cause any material fluctuation in the costs of labor and raw materials in connection with the construction of the second phase of Hanan Campus.

After the completion of construction of the second phase of Hanan Campus and assuming approximately 80.0% utilization rate of our school at the time of completion, the anticipated ratios of teaching and administrative building area to the number of students enrolled and site area to the number of students enrolled will be approximately 18.3 sq.m. and 62.0 sq.m., respectively.

Beginning in the 2019/2020 school year, we have partially utilized the facilities in Hanan Campus following the relocation of a number of our fourth-year undergraduate students from Songbei Campus to Hanan Campus due to increased student enrollments and limited capacity of Songbei Campus. We expect the first phase of Hanan Campus to accommodate all of our fourth-year undergraduate students, the students of the School of Railway (including the incoming first-year students to be enrolled in the 2020/2021 school year), and the existing first-year to third-year students of the computer science and technology and electronic information engineering departments in the 2020/2021 school year. We expected that the second phase of Hanan Campus, which is expected to complete in 2023, will accommodate newly enrolled students in our undergraduate and junior college to bachelor's degree transfer programs.

The table below sets forth the capital expenditure for the first and second phases of the construction of Hanan Campus:

Phase	Overall Expenditure	Amount Paid as of the Latest Practicable Date	Amount to be Paid	Funding Source
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	
First phase.	709,450 (estimated)	628,773	80,677 (estimated)	Cash generated from operations and bank and other borrowings
Second phase	150,000 (estimated)	–	150,000 (estimated)	Cash generated from operations and the net proceeds from the Global Offering

With respect to the first phase of Hanan Campus, we estimate that the total construction costs will be approximately RMB709.5 million, of which, approximately RMB628.8 million had been funded as of the Latest Practicable Date. We anticipate that the expected breakeven period for this expansion, which refers to the period of time required for our school to generate revenue equal to its cost of sales and operating expenses for the first time, will be approximately 24 months. The expected investment payback period for the first phase of Hanan Campus, which refers to the period of time required to recover our expected total investment during which the total future net cash flow generated from school operating activities equals to the expected total investment, will be approximately 11 to 12 years. These figures are calculated based on (i) the anticipated increases in student enrollment and the tuition fee and boarding fee rates we expect to charge our students for the future school years beginning in the 2020/2021 school year; and (ii) the anticipated increases in our cost payments, which are estimated by our management based on our existing operating expenditures and anticipated changes in the market condition. We anticipate that the expected breakeven period for the second phase of Hanan Campus will be approximately 12 months, and the expected investment payback period will be approximately eight to ten years.

With respect to our expansion, we plan to recruit qualified teachers and administrative staff in Heilongjiang Province in order to meet the anticipated increase in student enrollment. We will continue to implement a rigorous selection process and impose relatively high standards to select qualified and suitable teachers for our school.

The principal assumptions we made when calculating the expected breakeven period for a school include the tuition fees and boarding fees our school currently expects to charge for each student in each school year, the number of new students our school expects to enroll in each school year, subject to the relevant student admissions quota approved by the relevant education authorities, the cost of sales and other operating expenses the school expects to incur when providing education services to students and the estimated tax liabilities the school anticipates to be exposed to. In addition, we assume all other factors remain constant, the actual investment and construction costs of these schools will not materially deviate from the expected amounts, and we take into account the financial resources available to us.

The execution of our expansion plan in the PRC may encounter certain risks and challenges, including, but not limited to, construction risks, operational risks, such as the risks relating to student recruitment, teaching quality and school management, financing risks and regulatory risk. In particular, in connection with the expansion of Hanan Campus, we need to complete the construction project acceptance check, fire control inspection and environmental impact assessment before putting the newly constructed buildings into use. There is no guarantee that we will be able to timely complete these tasks and obtain the building ownership certificates. In the event this occurs, we will not be able to successfully execute our expansion plan, which could materially and adversely affect our business, financial condition, results of operations, business prospects and reputation. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Our Industry – We may not be able to successfully execute our growth strategies or effectively manage our growth, which may hinder our ability to capitalize on new business opportunities" in this prospectus for further details.

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTATION RULES

2016 Decision

Pursuant to the 2016 Decision, which became effective on September 1, 2017, private schools will no longer be classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that the schools providing nine-year compulsory education must be non-profit. The school sponsors of for-profit private schools are allowed to receive income from the operation of the school and the balance of running such schools. By contrast, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. In addition, for-profit private schools are entitled to have discretion in determining the fees collected from the students in accordance with the market conditions while the fee collection of non-profit private schools shall be subject to provincial government regulation.

For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC – The 2016 Decision" of this prospectus.

Implementation Rules under the 2016 Decision

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the State level in December 2016, including:

- the Implementing Measures on Classification Registration of Private Schools, which were issued on December 30, 2016, specified the competent authorities that will be responsible for the registration of for-profit and non-profit private schools. Once elected to be non-profit, a private school will have to amend its articles of association and complete the registration. Meanwhile, a for-profit school will be required to (i) undertake financial liquidation; (ii) have the property rights of the relevant assets, such as land, school buildings and net balance be authenticated by the relevant governmental authorities; (iii) obtain new school operation permit; (iv) pay the relevant taxes and fees; and (v) re-register with the relevant government authorities to continue the school operations;

- the Implementing Measures for the Supervision and Administration of For-profit Private Schools, which were issued on December 30, 2016, specified certain requirements regarding the establishment, modification and termination of a for-profit private school and the education and teaching related activities and financial management conducted by a for-profit private school; and

- the Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promoting the Healthy Development of Private Education, which were issued on December 29, 2016, specified certain policies to be followed to promote private education. The PRC government at all levels are responsible for formulating and perfecting supporting policies for non-profit private schools, including, but not limited to, government subsidies, government procurement services, fund incentives, donation incentives, land allocation and tax deduction and exemption, and meanwhile may support the development of for-profit private schools by different ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service.

On February 26, 2019, the Heilongjiang Province Government issued the Heilongjiang Implementing Opinions, which require, among other things, departments of education, human resources, social security, civil affairs, tax, finance, compilation bureau, administration for market regulation and natural resources should work together to create a good environment for the development of private education. The Heilongjiang Implementing Opinions also establish the classified management of for-profit and non-profit private schools. The private schools in Heilongjiang Province established before November 7, 2016 must decide to register as non-profit or for-profit private schools and complete the registration as non-profit or for-profit private schools before September 1, 2022. However, specific procedural rules for the conversion of existing private schools into for-profit or non-profit schools have not been set out under the Heilongjiang Implementing Opinions.

Please refer to section headed "Regulatory Overview – Laws and Regulations Relating to the Industry – Regulations on Private Education in the PRC" in this prospectus for details.

2016 Decision and Our Structured Contracts

Pursuant to the 2016 Decision, sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the 2016 Decision and its accompanying measures do not provide any specific method for handling the development fund of the non-profit schools or for-profit schools. If we were to elect to register our school as a non-profit private school, our school's ability to distribute dividends would be significantly limited. As a holding company, our ability to pay dividends and other cash distributions to Shareholders mainly depends on our ability to receive dividends and other distributions from our subsidiaries, in particular, our PRC subsidiaries. Our school has entered into certain Structured Contracts pursuant to which the WFOE provide management, consulting and technical support services, among others, to our school, in return for which the WFOE receives service fees from our school. In July 2019, with the assistance of our PRC Legal Advisors, we consulted an official, the deputy director of the policy and regulation division at the Education Department of Heilongjiang Province, who is also the director and responsible person of the provincial private education management office, being the competent authority regulating our school, as advised by our PRC Legal Advisors. During such consultation, the official confirmed that, the payment of service fees by our school to the WFOE under the Structured Contracts would not be regarded as distributing reasonable returns or profit to the School Sponsor of our school. The official also acknowledged that the Structured Contracts were our school's internal arrangements and confirmed that the execution of the Structured Contracts does not require any approval from the Education Department of Heilongjiang Province.

The aforementioned consultation was conducted through the form of an interview and the official being consulted did not provide any written confirmation on behalf of the Education Department of Heilongjiang Province regarding the execution of the Structured Contracts and the payment of the service fees by our school to the WFOE under the Structured Contracts. As advised by our PRC Legal Advisors, the MOJ Draft for Comments has been published before the consultation with such official took place. Therefore, our PRC Legal Advisors are of the view that the confirmations regarding the Structured Contracts were given by such official in the context of his understanding of the MOJ Draft for Comments.

Based on the forgoing, our PRC Legal Advisors are of the view that the payment of service fees by our school to the WFOE under the Structured Contracts would not be regarded as distributing reasonable returns or profit or violating any prohibitions under the 2016 Decision or the relevant implementation rules.

In the event that we were to decide to elect to register our school as non-profit private schools, we would continue to adopt the Structured Contracts that would enable us to charge service fees to our school representing a substantial portion of our school' net operating income. On the basis that (i) the PRC laws and regulations do not prohibit such service arrangements and do not prohibit the payment of service fees by our school to their service providers; (ii) there are no regulatory restrictions on the price ceiling and scope of the services under such arrangements as the provision of services under such arrangements is normally based on commercial consensus; and (iii) during the interview with the official of the policy and regulation division at the education department of Heilongjiang Province, the official confirmed that the payment of service fees by our school to the WFOE under the Structured Contracts would not be regarded as distributing reasonable returns or profit to the school sponsor of our school, our PRC Legal Advisors is of the view that our Company is able to increase the current level of service fees charged to our school by providing services under such arrangements, so long as the services provided are based on fair and reasonable market price under the principle of openness, fairness and impartiality, without violating the 2016 Decision and any applicable PRC laws and regulations.

Such service fees are subject to value-added tax and surcharges. The applicable value-added tax rates vary from 6% to 16% depending on the nature of services rendered. While such service fee expense can be deducted by our school, the profits from such service fees earned by the WFOE would be subject to enterprise income tax at the standard rate of 25%, unless otherwise reduced or exempted under applicable PRC laws and regulations.

Our management considers that our Structured Contracts do not have any special implications on our Group operations as the services rendered under such arrangements mainly pertain to the day-to-day operations of our school. The aggregate impact on our Group's financial performance, on a consolidated basis, is expected to be based on the net effect of the enterprise income taxes (see the relevant risks set out in section headed "Risk Factors – Risks Relating to Our Business and Our Industry – Our historical financial and operating results may not be indicative of our future performance" and the section headed "Financial Information – Key Components of Our Results of Operations – Taxation" for further details) and tax reduction or exemption as mentioned above which may be applicable to our school and the relevant subsidiaries of our Group, respectively, and the value-added tax and surcharges applicable to the service fees as mentioned above.

As of the Latest Practicable Date, we have not made a formal decision as to whether we would elect to register our school as a for-profit private school or a non-profit private school under the 2016 Decision and were not in a position to accurately assess the potential impact of the 2016 Decision and the MOJ Draft for Comments on these Structured Contracts as the 2016 Decision and the MOJ Draft for Comments remain silent on the requirements with respect to Structured Contracts. For further information of the MOJ Draft for Comments, please see "– The MOJ Draft for Comments" in this section for details. In addition, for further information on the risks related to our ability to pay dividends and the relevant tax implications, please see "Risk Factors – Risks Relating to Our Structured Contracts – We rely on dividend and other payments from the WFOE to pay dividends and other cash distributions to our Shareholders and our ability to distribute dividends may be limited under PRC laws and regulations", "Risk Factors – Risks Relating to Doing Business in China – If we are classified as a PRC "resident enterprise", we could be subject to PRC income tax at the rate of 25% for our worldwide income, and holders of our Shares could be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares", "Risk Factors – Risks Relating to Our Business and Our Industry – We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments, which if implemented in its current form, may have an adverse impact on the development, operation and management of our school" and "Risk Factors – Risks Relating to Our Structured Contracts – Structured Contracts may be subject to scrutiny by PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operation and the value of your investment" in this prospectus.

THE MOJ DRAFT FOR COMMENTS

Overview

On April 20, 2018, the MOE issued the MOE Draft for Comments, namely the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》), to seek public comments, and on August 10, 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments.

The MOJ Draft for Comments further promotes the development of private education by providing that a private school shall enjoy the relevant rights or preferential policies, which shall primarily include:

(i) a non-profit private school shall enjoy the same tax policies as those enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the PRC government for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and

(ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools the same as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or a combination of sale and rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools. Among other things:

(i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own;

(ii) at the end of each financial year, a non-profit private schools shall set aside a portion of not less than 25% of its annual net increase in assets, and a for-profit school from its annual net income, as the development fund, which shall be used for the construction, maintenance, renewal of teaching equipment and further training of the teaching staff, among other things;

(iii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term agreement that is repeatedly entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance;

(iv) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB200.0 million; the registered capital of a for-profit private school providing other types of education for academic qualifications, the minimum registered capital shall be RMB10.0 million;

(v) social organizations that operate or control multiple private schools simultaneously or adopt centralized school management models shall have sufficient resources and capacities and undertake the management and supervisory responsibilities of those private schools that they operate; social organizations those adopt centralized school management models are not allowed to acquire non-profit private schools or control them through ways such as merger, franchising or "structured contracts"; and

(vi) for any change of school sponsor of a non-profit private school, an alteration agreement shall be entered into. No gain shall be obtained from the school sponsorship alteration; the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with the successional school sponsor to stipulate the income from the alteration but not for profit making purpose and shall not involve the legal property of the school.

Implications on Our Expansion Strategy

The implementation of the MOJ Draft for Comments may also have an impact on our expansion strategy. According to Clause 12 of the MOJ Draft for Comments, social organizations which adopt centralized school management models are not allowed to acquire non-profit private schools or control them through ways such as merger, franchising or "structured contracts". As advised by our PRC Legal Advisors, if the Revision of the Implementation Rules is eventually adopted in the current form of the MOJ Draft for Comments and our school sponsor is considered as using centralized school management model, we may no longer be able to acquire non-profit private schools or control them by means of merger, franchising or through "structured contracts", and our acquisition scope may also be limited.

Implications on Our School

We may be required to increase the registered capital of our school to no less than RMB200.0 million, if we intend to register our school as a for-profit private school. As of the Latest Practicable Date, our school had registered capital of RMB183.3 million. If we choose to register our school as for-profit private schools in the future and if the MOJ Draft for Comments are adopted in its current form, it is estimated that an amount of RMB16.7 million would be required for increasing the registered capital of our school, to meet the requirements of registered capital under the MOJ Draft for Comments. In the event that such increase in registered capital is required, we may consider satisfying the requirements by utilizing our Group's resources, which would be a combination of the then available reserves of our school and/or capital injections by the school sponsor backed by cash or banking facilities then available to our Group. We believe that the amount required to increase the registered capital of our school is immaterial and would not adversely affect our financial position. As at February 29, 2020, our Group had an aggregate amount of cash and cash equivalents of approximately RMB31.1 million.

In addition, we may be required to pay land transaction fees at RMB78.0 per sq.m. to the local land and resources bureaus for the land we occupied at Songbei Campus with an aggregate gross site area of approximately 144,095 sq.m. and at Hanan Campus with an aggregate gross site area of approximately 397,914.04 sq.m., as well as other lands we occupy in the future under any preferential treatment of the local governments.

As of the Latest Practicable Date, we were not in a position to accurately assess the potential impact of the election of registering our school as a for-profit private school or a non-profit private school and in turn our Group as a whole or make any informed decision in relation to the 2016 Decision and the MOJ Draft for Comments due to the absence of any other detailed implementation rules that have yet to be promulgated by the relevant local governments under the 2016 Decision (other than the abovementioned Heilongjiang Implementing Opinions and Heilongjiang Registration Measures) for clarification on the substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a private school, in particular, regulations on the fees charged by non-profit schools and respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school, and to provide an implementation timetable. As of the Latest Practicable Date, we had not made a formal decision as to whether we would elect to register our school as a for-profit private schools or a non-profit private schools under the 2016 Decision. Based on our management's judgment on the current legal framework in the PRC, including the 2016 Decision and the potential promulgation of the MOJ Draft for Comments, we currently expect to and according to our PRC Legal Advisors, are eligible to, register our school as a for-profit private school, subject to a number of factors, including, among others, the development of the private education industry in China and the development of the applicable laws and regulations in the PRC. In the event we register our school as a for-profit private school, we will be able to increase the registered capital of our school and pay the requisite land transaction fees by utilizing internally generated funds from our operations and to the extent necessary, obtaining external bank borrowings We will closely monitor and make the relevant decision regarding the status of our school in response to the development of the 2016 Decision and the MOJ Draft for Comments after consulting our PRC Legal Advisors.

Our Control Measures

As part of our measures to mitigate any compliance risk in relation to the 2016 Decision, the MOJ Draft for Comments and other relevant developments, including our decision to register our school as a for-profit private school or a non-profit private school in the future, we have established and assigned the responsibility to Mr. Wang Yunfu, one of our executive Directors, to pay close attention to the developments of the relevant policies and regulations, including the 2016 Decision and the MOJ Draft for Comments and the operations of our school and we will promptly consult with our PRC Legal Advisors as and when required. Mr. Wang will ensure that our acquisition in the future will fully comply with the relevant rules and regulations in effect from time to time. We will ensure that any decision will be made on a fully informed basis by our Board taking into account the findings of Mr. Wang and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate.

Current Status of the MOJ Draft for Comments

The MOJ requested comments from the general public on the MOJ Draft, if any, to be submitted prior to September 10, 2018, although the deadline for the public consultation has passed, the MOJ has not provided the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As of the date of this prospectus, no implementation rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and the implementation of the MOJ Draft for Comments by the competent authorities may deviate from our current understanding and interpretation. We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Advisors for the developments of the MOJ Draft for Comments and other related publications and promulgations.

COMPETITION

The education industry in China is rapidly developing. According to the Frost & Sullivan Report, the private higher education market in China is highly competitive and fragmented. As we operate in Harbin City, Heilongjiang Province, the PRC, we face competition from national public and private higher education institutions in China, in particular from those that operate in the same geographic area. We believe our principal competitive advantages include:

- the reputation of our school;
- our extensive operating experience;
- relatively high initial employment rate of the graduates of our school;
- the scope and quality of our education programs, services and offerings;
- overall student experience;
- students' academic performance;
- our relationships with school-enterprise cooperation partners;
- ability to attract and retain qualified teachers; and
- research and development capabilities.

We expect the competition in the private education market to persist and intensify in the PRC and Heilongjiang Province in particular. We believe we are able to compete effectively due to our strong reputation and established programs. However, some of our existing and potential competitors, especially public higher education institutions, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. Please see "Risk Factors – Risks Relating to Our Business and Our Industry – We face intense competition in the PRC education industry which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departure of qualified employees and increased capital expenditures" in this prospectus for details.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students from our continuing operations. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended August 31, 2017, 2018 and 2019.

Our suppliers primarily consist of construction project contractors, heating service providers, and booksellers. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020 purchases from our five largest suppliers amounted to RMB40.8 million, RMB63.9 million, RMB137.5 million and RMB25.5 million respectively, accounting for 72.6%, 76.3%, 62.6% and 36.5% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier amounted to RMB28.7 million, RMB27.5 million, RMB62.7 million and RMB8.8 million, accounting for 51.1%, 32.9%, 28.6% and 12.7%, respectively, of our total purchases for the relevant periods. The majority of our suppliers during the Track Record Period were construction and engineering companies, electricity and coal providers, teaching equipment suppliers and booksellers, which were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

The tables below set forth the details of our five largest suppliers from continuing operations during the Track Record Period.

For the Year Ended August 31, 2017

Rank	Supplier	Principal Business Activities	Year(s) of Business Relationship	Typical Credit Term	Transaction Amount	As Percentage of Our Total Purchases
					RMB'000	*(%)*
1	Supplier A	A branch of a private company which is principally engaged in engineering construction	4	–	28,732	51.1
2	Supplier B	A private company which is principally engaged in heating power supply	3	–	6,345	11.3
3	Supplier C	A private company which is principally engaged in the sale of books	3	–	2,184	3.9
4	Zhonghong Joint Financing Guarantee Co., Ltd.* (中鴻聯合融資擔保有限公司)	A private company which is principally engaged in guarantee service	3	–	2,064	3.7
5	Supplier E	A private company which is principally engaged in electrical installation	1	–	1,500	2.7
			Total		40,825	72.6

For the Year Ended August 31, 2018

Rank	Supplier	Principal Business Activities	Year(s) of Business Relationship	Typical Credit Term	Transaction Amount	As Percentage of Our Total Purchases
					RMB'000	*(%)*
1	Supplier F	A private company which is principally engaged in engineering construction	1	–	27,500	32.9
2	Harbin Weima Communication Engineering Co., Ltd.* (哈爾濱韋瑪通信工程有限公司)	A private company which is principally engaged in engineering construction	3	–	13,845	16.5
3	Heilongjiang Huize Construction Engineering Co., Ltd.* (黑龍江匯澤建築工程有限公司)	A private company which is principally engaged in engineering construction	1	–	9,000	10.8
4	Supplier I	A private company which is principally engaged in the sale of construction materials	3	–	7,479	8.9
5	Supplier B	A private company which is principally engaged in heating power supply	4	–	6,064	7.2
			Total		63,888	76.3

For the Year Ended August 31, 2019

Rank	Supplier	Principal Business Activities	Year(s) of Business Relationship	Typical Credit Term	Transaction Amount	As Percentage of Our Total Purchases
					RMB'000	*(%)*
1	Supplier F	A private company which is principally engaged in engineering construction	2	–	62,700	28.6
2	Heilongjiang Huize Construction Engineering Co., Ltd.	A private company which is principally engaged in engineering construction	2	–	31,000	14.1
3	Harbin Weima Communication Engineering Co., Ltd.	A private company which is principally engaged in engineering construction	4	–	26,554	12.1
4	Harbin Chudi Electrical Installation Co., Ltd.* (哈爾濱楚廸電氣安裝有限公司)	A private company which is principally engaged in electrical installation	1	–	10,000	4.6
5	Supplier I	A private company which is principally engaged in the sale of construction materials	4	–	7,290	3.3
			Total		137,544	62.6

For the Six Months Ended February 29, 2020

Rank	Supplier	Principal Business Activities	Year(s) of Business Relationship	Typical Credit Term	Transaction Amount	As Percentage of Our Total Purchases
					RMB'000	*(%)*
1	Supplier J	A private company which is principally engaged in teaching equipment supply	1	–	8,840	12.7
2	Supplier F	A private company which is principally engaged in engineering construction	2	–	4,800	6.9
3	Supplier K	A private company which is principally engaged in engineering construction	2	–	4,120	5.9
4	Supplier L	A private company which is principally engaged in railway services	1	–	4,050	5.8
5	Supplier B	A private company which is principally engaged in heating power supply	5	–	3,715	5.3
			Total		25,525	36.5

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we did not own any trademarks in the PRC. We had registered patents of 87 utility models and designs, which were innovated and developed by our staff and students in class or in the laboratories during their learning, teaching and/or experimenting processes. We have registered two domain name(s) for our school's official websites, which are *leader-education.cn* and *hibu.edu.cn*. See "Appendix V – Statutory and General Information – C. Further Information about Our Business – 2. Intellectual property rights of our Group" in this prospectus for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material adverse impact on our Group. See also "Risk Factors – Risks Relating to Our Business and Our Industry – We may face disputes from time to time relating to the intellectual property rights of third parties"

AWARDS AND RECOGNITIONS

Our school has received numerous awards and recognitions since our establishment in recognition of the quality of the education we provide, the graduate employment rates we achieved and the outstanding achievements of our students. The following table sets forth some of the awards and recognition our school has received:

Year	Award/Accreditation	Awarding Organization
2019	Civilized Campus Model (文明校園標兵)	Education Task Board of the Committee of Communist Party of China in Heilongjiang Province (中共黑龍江省委教育工作委員會)
2019	Heilongjiang Province Teachers' Morality Advanced Group (黑龍江省師德先進集體)	Education Department of Heilongjiang Province (黑龍江省教育廳)
2019	National Greening Model Unit (全國綠化模範單位)	Office of National Greening Committee (全國綠化委員會)
2019	Heilongjiang Province Teachers' Morality Advanced Group (黑龍江省師德先進集體)	Education Department of Heilongjiang Province (黑龍江省教育廳)
2013	National Education Reform and Innovation Model College (全國教育改革創新示範院校)	China Education Association and China Education Development Association (中國教育協會、中國教育發展促進會)
2012	China Education Reform Excellence Achievement (中國教育改革卓越成就獎單位)	China Education Association and China Education Development Association (中國教育協會、中國教育發展促進會)
2010	National Advanced Independent College (全國先進獨立學院)	China Independent College Association (中國獨立學院協作會)
2008	Heilongjiang Province Gold Service School (黑龍江省金牌服務院校)	People's Evaluation of Social Credibility Activities Commission of Heilongjiang Daily (黑龍江日報社會信譽百姓評價活動組委會)

EMPLOYEES

As of September 30, 2017, 2018 and 2019 and February 29, 2020, we had 578, 604, 708 and 700 employees, respectively. The following table sets forth the total number of employees by function as of the Latest Practicable Date:

Function	Number of Employees	% of Total
Teachers[1]	465	64.8
Management	10	1.4
Administrative staff	166	23.2
Student accommodation staff	28	3.9
Accounting and finance staff	8	1.1
Logistics personnel	40	5.6
Total	717	100.0

Note:

(1) Include 247 full-time teachers and 218 part-time teachers.

As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by the local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. We believe we maintain a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labor disputes.

Harbin Xiangge did not register its social insurance account with the relevant government authority during the Track Record Period, and it did not register its housing provident fund account with the relevant government authority during the Track Record Period and up to the Latest Practicable Date, as required by the applicable PRC laws and regulations. The social insurance payments and housing provident fund contributions of the staff who performed the daily functions of Harbin Xiangge were made by (i) our school with respect to its staff who entered into employment contracts with our school; and (ii) a third-party labor dispatch company with respect to its staff who entered into employment contracts with such third party.

As advised by our PRC Legal Advisors, the PRC law requires that a newly established entity shall, within 30 days of its establishment, register with the local social insurance and housing provident fund authorities and open its housing provident account at the designated banks within 20 days of the registration. Failures to comply with such rules will result in an order from the authorities to require rectification within a limited period of time and further failure to rectify in accordance with the order will result in a penalty of more than one time and less than three times the social insurance contributions the noncomplying entity is obligated to make and a penalty of RMB10,000 to RMB50,000 with respect to the non-compliance in housing provident fund account registration. As of the Latest Practicable Date, Harbin Xiangge had registered the social insurance account with the local government authority, and was in the process of submitting its application to register the housing provident account with the relevant government authority. We expect that the registration will be completed before the Listing. As of the same date, no administrative action had been initiated against, and no fine or penalty had been imposed on, us by the relevant PRC government authorities with respect to these non-compliance incidents, nor has any order been received by us to register at local housing provident fund authorities.

In addition, as of the Latest Practicable Date, Harbin Xiangge had 18 staff members, consisting of (i) four employees who entered into employment contracts with Harbin Xiangge; (ii) three employees who entered into employment contracts with our school, and were dispatched by our school to Harbin Xiangge; (iii) nine employees who entered into employment contracts with a third-party labor dispatch company and were dispatched by such third party to Harbin Xiangge; and (iv) two employees who have previously retired but were subsequently engaged again by our school out of retirement and dispatched to Harbin Xiangge. As advised by our PRC Legal Advisors, labor dispatch workers can only be hired for temporary, auxiliary or substitute positions. A temporary position refers to a post that has a duration of less than six months. An auxiliary position refers to a post that provides supporting services for major business operation positions. A substitute position refers to a post that replaces employees who leave office for a certain period of time due to reasons such as maternity leave and further education. Under the applicable PRC laws and regulations, labor dispatch workers shall account for less than 10% of the total number of employees of a company. In this regard, Harbin Xiangge engaged nine employees primarily for accounting and finance functions for more than six months as of the Latest Practicable Date. Furthermore, the number of labor dispatch workers of Harbin Xiangge exceeded the 10% threshold as of the same date. Therefore, our PRC Legal Advisors have advised us that Harbin Xiangge did not comply with the aforementioned restrictions on the engagement of labor dispatch workers and may be subject to an order to rectify within a limited period of time by the relevant labor administrative authority. Failure to rectify will result in fines of not less than RMB5,000 and not more than RMB10,000 per labor dispatch worker. As of the Latest Practicable Date, no administrative action had been initiated against, and no fine or penalty had been imposed on, us by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by us to rectify such non-compliance. In order to resolve the above-mentioned labor dispatch non-compliance issue, on February 13, 2020, Harbin Xiangge entered into a labor outsourcing agreement with a third-party labor outsourcing company. Pursuant to this agreement, the third-party labor outsourcing company will provide Harbin Xiangge with finance and accounting labor outsourcing service.

We have reviewed our internal control policy and designated Mr. Wang Yunfu, one of our executive Directors, to be directly responsible for overseeing the implementation of the rectification measures with respect to the abovementioned non-compliance of Harbin Xiangge. In addition, we have adopted certain measures to strengthen our internal control in this regard, including designating our human resources department to closely monitoring our on-going compliance with the relevant labor laws and regulations in the PRC.

PROPERTIES

As of the Latest Practicable Date, we owned three parcels of land in the PRC with a total gross site area of approximately 578,230.44 sq.m. and 34 buildings with an aggregate gross floor area of approximately 308,694.63 sq.m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Except for the property interests described in the property valuation report prepared by Cushman & Wakefield Limited, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules. The total market value of our property interests as of May 31, 2020 was RMB24.0 million, according to the property valuation report prepared by Cushman & Wakefield Limited. As of May 31, 2020, all of the buildings and the two parcels of land owned by Heilongjiang College were considered as public welfare facilities and did not have any commercial value. None of our properties was pledged.

Owned Properties

Land

As of the Latest Practicable Date, we owned land use right for (i) two parcel of land registered under Heilongjiang College with an aggregate gross site area of approximately 542,009.04 sq.m.; and (ii) one parcel of land registered under Harbin Xiangge with a gross site area of approximately 36,221.4 sq. m. The following table sets forth a summary of the land use rights we owned:

No.	Land Use Right Owner	Description/ Location	Gross Site Area	Use Stipulated in Land Use Right Certificate	Expiry Date
			(sq.m.)		
1	Heilongjiang College	North of Yucai Road, West Street of Limin Development Zone, Harbin City, Heilongjiang Province	144,095.0	Education	N/A[1]
2	Heilongjiang College	Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province	397,914.04	Education	N/A[1]

No.	Land Use Right Owner	Description/ Location	Gross Site Area	Use Stipulated in Land Use Right Certificate	Expiry Date
			(sq.m.)		
3	Harbin Xiangge	Dongguang Village, Xinxing Town, Shuangcheng City, Harbin City, Heilongjiang Province	36,221.4	Wholesale and retail	October 17, 2052(2)
	Total		**578,230.44**		

Notes:

(1) The land use rights for education purpose are granted by government authorities without a fixed term and the land use right certificates did not provide any date of expiration. As advised by our PRC Legal Advisors, the land use rights allocated by the governments will not expire except that the land use rights may be recovered by the relevant government as a result of suspending the use of the land due to relocation, dissolution, revocation, bankruptcy or other reasons, or the need for urban construction and development and the requirements of urban planning.

(2) For the land use right held by our Group for future development near Hanan Campus, it was purchased from the government with definite life of use as stated in the relevant land use right certificate.

Buildings

As of the Latest Practicable Date, we had building ownership certificates for 23 buildings located in the PRC with an aggregate gross floor area of approximately 218,984.39 sq.m. owned by Heilongjiang College. We had a total of 11 buildings located in the PRC with an aggregate gross floor area of approximately 89,710.24 sq.m. owned by Heilongjiang College, which have not yet obtained the relevant building ownership certificates. All of these buildings have been designed for education-related usage (including teaching facilities, canteens, dormitories, gymnasiums, and for other ancillary usages).

Non-compliance of Certain of Our Buildings

As of the Latest Practicable Date, among the 11 buildings we occupied that did not have the relevant building ownership certificates, only one building was in Songbei Campus with a gross floor area of approximately 5,400.24 sq.m., which did not have the requisite construction permit, and did not complete the relevant environmental impact inspection, fire control inspection and construction project completion acceptance check, which are all prerequisites for obtaining the building ownership certificate except for environmental impact inspection, before it was put into use. This building accounted for approximately 2.5% of the total gross floor area of the buildings we occupy.

In addition, as of the same date, among the 10 remaining buildings we occupy in Hanan Campus that did not have the relevant building ownership certificates, we had utilized four buildings with an aggregate gross floor area of approximately 22,464.12 sq.m., including teaching complexes, dormitories and ancillary buildings, for which we did not complete fire control inspection and/or construction project completion acceptance check before putting them into use. These buildings accounted for approximately 7.3% of the total gross floor area of the buildings we occupy. During the Track Record Period and up to the Latest Practicable Date, we had not utilized the remaining six buildings in Hanan Campus that did not have the relevant building ownership certificates, and we undertake not to use such buildings until the requisite building ownership certificates have been obtained. Accordingly, our Directors are of the view that these non-compliant buildings do not form a material part of our Group's business operations.

As advised by our PRC Legal Advisors, we may be subject to the following fines and/or penalties in connection with the abovementioned non-compliances:

- for construction work that is carried out without a construction permit, the license issuing authority with jurisdiction shall (i) order the construction to be ceased; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the contract price of the construction;

- for buildings that did not complete the environmental impact inspection before putting into use, we could be ordered by the competent environmental protection authority to rectify such non-compliance within a prescribed time period and may be subject to fines of not less than RMB200,000 and up to RMB1.0 million. Failure to rectify within the prescribed time period would result in fines of not less than RMB1.0 million and up to RMB2.0 million. In the event such non-compliance caused major environmental pollutions or destruction of ecosystems, we could be required to discontinue our use of the relevant construction and even to close the building when ordered to do so by relevant governmental authority;

- for buildings that were put into use without passing the fire control inspection, we are subject to the risk of being prohibited from using these buildings or closing of our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000; and

- for construction projects we have put into use without passing the construction project completion acceptance check, we may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed.

Songbei Campus – We had the aforementioned property non-compliances at Songbei Campus mainly due to (i) the then-existing local district government's permission for enterprises in the district to commence construction of certain industrial projects without first obtaining the requisite construction permit or completing the relevant procedures for fire control inspection and construction project completion acceptance check, including the construction of such building in Songbei Campus, in an effort by the local government to implement Heilongjiang Province's and Harbin City's recommendations to expedite the construction of various industrial projects; and (ii) our management's oversight and the responsible administrative staff's unfamiliarity with the amendments of the applicable laws and regulations with respect to environmental impact inspection, which resulted in changes of compliance requirements.

As of the Latest Practicable Date, we were in the process of applying for the construction permit and completing the relevant procedures for environmental impact inspection, fire control inspection and construction project completion acceptance check with respect to this building in Songbei Campus. During the course of our application, the administrative jurisdiction in which our Songbei Campus was located had changed to Songbei New District (松北新區). Accordingly, our application had been transferred to the relevant government authority in the new administrative district for handling. We believe that as a result of this change, the government's processing of our application was delayed. According to the Minutes of the Office Meeting of the Director of the Urban Management and Administration Comprehensive Law Enforcement Bureau of Songbei District (the 12th Meeting of 2018) (《松北區城市管理和行政綜合執法局局長辦公會會議紀要》(2018年第12次會議)) on December 24, 2018, the bureau will not impose any administrative penalty on our School for failure to obtain the relevant construction permit and will provide support to us in our efforts to complete the relevant procedures. We expect to obtain the requisite construction permit and complete the relevant procedures for the environmental impact inspection, fire control inspection and construction project completion acceptance check as soon as practicable. Our PRC Legal Advisors are of the view that (i) the Urban Management and Law Enforcement Bureau of Songbei District is a competent authority responsible for organizing and implementing the enforcement of administrative penalties relating to urban management events and major violations of laws and regulations within its jurisdiction where Songbei Campus is located; and (ii) the risk that our School will be penalized for commencing the construction work of this building without first obtaining the relevant construction permit is relatively low.

We have suspended the use of such building as of the Latest Practicable Date, and will not put such building into use before obtaining the relevant building ownership certificate. As of February 29, 2020, the maximum aggregate amount of penalty with respect to the non-compliance in Songbei Campus is estimated to be approximately RMB1.2 million. We have made a full provision of the potential maximum penalty for this non-compliance during the Track Record Period. As of the Latest Practicable Date, we did not receive any notice or penalty in relation to such historical non-compliances.

Hanan Campus – With respect to the ten buildings in Hanan Campus, we had the above-mentioned property non-compliances at Hanan Campus primarily as result of our management's oversight and the responsible administrative staff's unfamiliarity with the relevant compliance requirements, as well as our initial intention to utilize several of these buildings in Hanan Campus to alleviate the capacity constraint at Songbei Campus for the 2019/2020 school year.

On February 24, 2020, we, with the assistance of our PRC Legal Advisors, conducted an interview with the Harbin City Shuangcheng District Housing and Urban-Rural Construction Administration, the interviewed official, who is the chief of the Engineering Quality Supervision Station of such administration, confirmed that (i) before the 2020 Spring Festival, the Harbin Shuangcheng District Housing and Urban-Rural Construction Administration had conducted on-site construction project completion acceptance inspection involving the ten buildings in Hanan Campus that did not have the relevant building ownership certificates. These buildings meet the completion acceptance requirements and have passed the on-site acceptance check. Once the COVID-19 epidemic is under control, the Harbin City Shuangcheng District Housing and Urban-Rural Construction Administration will issue relevant certificates of completion acceptance check to our school, and there is no legal impediment for our school to obtain such certificates; (ii) while these buildings previously had minor defects in relation to the fire control, based on the understanding of the interviewed official, our school had rectified these defects. Accordingly, these buildings generally meet the fire control acceptance standards and there is no legal impediment to passing the fire control inspection; and (iii) these buildings have completed the on-site completion inspection and acceptance, and have generally met the standards for use. As of the date of the interview, no public complaints or reports have been received in relation to the illegal use of these buildings by our school, and therefore, no penalty will be imposed on our school. In addition, our school complies with the requirements of the relevant laws and regulations on building construction in all material respects, no investigation has been initiated against or penalty imposed on our school. Our PRC Legal Advisors have advised us that (i) the Harbin City Shuangcheng District Housing and Urban-Rural Construction Administration is a competent government authority and has the right to confirm the building construction compliance matters of our school, and such official is in charge of fire control and completion inspection and acceptance of the construction projects in Shuangcheng District, whose confirmation relating to the above issues is authoritative; and (iii) the risk that our school will be subject to any penalty for putting these buildings on Hanan Campus to use without first completing the construction project acceptance check and fire control inspection is relatively small.

As of the Latest Practicable Date, we had obtained the fire control inspection compliance certificates issued by the relevant authority for three of the four non-compliant buildings we had utilized and another five unutilized buildings in Hanan Campus with an aggregated gross floor area of approximately 74,257.64 sq.m., and the official issuances of the remaining outstanding compliance certificates of the construction project completion acceptance check and fire control inspection were being processed by the relevant government authority.

For the reasons set out below, our Directors consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole:

(i) there have not been any material safety incidents directly attributable to the safety of the school buildings and facilities and no regulatory intervention or concerns relating to the school buildings and facilities have been raised by competent authorities; and

(ii) we regularly maintain the buildings and the safety conditions of such buildings are sound.

For risks and uncertainties associated with our failure to pass the acceptance checks on completion of construction, please see "Risk Factors – Risks Relating to Our Business and Our Industry – We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises" in this prospectus.

Non-compliance in Relation to the Lease of Owned Properties

As of the Latest Practicable Date, we had leased five premises in our Songbei Campus to Independent Third Parties, three of which were temporary leases and no formal lease agreements were entered into. The two regularly leased properties include an incubator for young entrepreneurship and a China Mobile branch store. As advised by the PRC Legal Advisors, (i) the lease agreements with the entrepreneur incubator and China Mobile branch store could be void mainly due to the failure to be approved by the relevant authorities when leasing the land granted by the PRC government and the properties built on such land; and (ii) when leasing the land granted by the PRC government, the municipal and county people's government land management departments shall confiscate the illegal income and may impose a fine of not more than 50% of the legal income against our school. During the Track Record Period, the illegal income generated from these leases was immaterial.

In addition, the relevant lease agreements involving the entrepreneur incubator and China Mobile branch store were not registered with relevant PRC government authorities. Our PRC Legal Advisors have advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as of the Latest Practicable Date, we had not been fined by the relevant PRC authorities with respect to these non-registered leases. We undertake that we will not renew these leases upon their expiration.

Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled

As advised by our PRC Legal Advisors, our school is subject to certain requirements in relation to the prescribed ratio of school site area/teaching and administrative building area to the number of students enrolled. According to the School Condition Notice, except for sports and arts schools, the ratio of a higher educational institution's teaching and administrative building area to the number of students enrolled, which is one of the basic school operating condition indicators (基本辦學條件指標), shall be 9 to 16 sq.m. per student enrolled depending on under which applicable school category such higher education institution falls. The applicable standard threshold of the ratio of our school's teaching and administrative building area to the number of students enrolled shall not be less than 14 sq.m. and the restrictive threshold of such ratio shall not be less than 8 sq.m. as our school falls under the category of comprehensive school as stipulated by the School Condition Notice.

In addition, the applicable ratio of our school's site area to the number of students enrolled shall be not less than 54 sq.m. per student enrolled as our school falls under the school category of literature, finance and economics and law school as stipulated by the School Condition Notice. The ratio of school site area to the number of students enrolled is a monitoring standards (監測辦學指標) under the School Condition Notice. Monitoring standards for operating a higher education institution are supplementary standards that provide basis for the comprehensive analysis of the conditions for operating higher education institutions.

The following table sets forth the (i) ratio of teaching and administrative building area to the number of students enrolled; and (ii) ratio of school site area to the number of students enrolled, for each of our school as of the dates indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Ratio of teaching and administrative building area to the number of students enrolled	18.0	17.0	22.5	22.6
Ratio of school site area to the number of students enrolled	69.5	65.7	61.5	61.5

As illustrated in the table above, our school was in compliance with both the ratio of teaching and administrative building area to the number of students enrolled and the ratio of school site area to the number of students enrolled as of each of the years/periods indicated.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events, such as student internship liability insurance and student safety insurance. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We believe our insurance coverage is generally consistent with industry practice in the PRC and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors – Risks Relating to Our Business and Our Industry – We maintain limited insurance coverage" in this prospectus for more information.

LICENSES AND PERMITS

Our PRC Legal Advisors have advised that during the Track Record Period and up to the Latest Practicable Date, except as described below in this section, we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect, and no circumstances existed that would result in the revocation or cancellation of such licenses, permits, approvals and certificates. The table below sets forth details of our material licenses and permits:

License/Permit(1)	Holder	Granting authority	Grant date	Expiry date
Private school operating license* (民辦學校辦學許可證)	Heilongjiang College	Education Department of Heilongjiang Province* (黑龍江省教育廳)	October 9, 2019	October 8, 2023
Private non-enterprise registration certificate* (民辦非企業單位登記證)	Heilongjiang College	Civil Affairs Bureau of Heilongjiang Province* (黑龍江省民政廳)	March 23, 2020	December 31, 2021
Food business license* (食品經營許可證)	Heilongjiang College (Songbei Campus)	Market Supervision Administration of Hulan District, Harbin City* (哈爾濱市呼蘭區市場監督管理局)	May 9, 2018	May 8, 2023
Food business license* (食品經營許可證)	Heilongjiang College (Hanan Campus)	Market Supervision Administration of Shuangcheng District, Harbin City* (哈爾濱市雙城區市場監督管理局)	November 19, 2019	November 18, 2021
Sanitation Licenses* (衛生許可證)(2)	Heilongjiang College	Health Committee of Harbin City (Songbei) (哈爾濱市衛生健康委員會(松北))	March 20, 2020	March 19, 2024

Notes:

(1) To maintain our private school operating licenses, the school is required to pass an annual inspection regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, our school had passed the latest annual inspection.

(2) As of the Latest Practicable Date, we have not yet obtained the valid sanitation licenses for the library and public swimming pool in Hanan Campus. Our PRC Legal Advisors advised us that, under the applicable PRC laws and regulations, for an entity that operates without a valid public place sanitation license, the public health administrative department of the PRC government at or above the county level shall order it to make rectification within a time limit, issue a warning and impose a fine of not less than RMB500 and not more than RMB5,000. If such entity operates the business for more than three months without a valid sanitation license, it is subject to a fine of not less than RMB5,000 and not more than RMB30,000. As such, our failure to obtain valid sanitation licenses for the library and public swimming pool of our school may result in a warning and the imposition of fines. As of the Latest Practicable Date, the maximum amount of fines that could be imposed on our school is estimated to be approximately RMB60,000. Include sanitation licenses for the library and swimming pools of our school. As advised by our PRC Legal Advisors, the sanitation licenses for the canteen and stadium in Songbei Campus are no longer required to be renewed after their expiration on October 8, 2019 in accordance with the PRC laws and regulations currently in force, such as the Public Places Health Regulations (《公共場所衛生管理條例》), which stipulates that parks, stadiums and public transport are not required to obtain sanitation licenses, and the Decision of the State Council on the Integration and Adjustment of Health Permits and Food Business Permits in Public Places of Catering Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which abolished the local health authorities' power to issue sanitation licenses to restaurants, cafeterias, bars and tea houses, and consolidated such power to the PRC food and drug regulatory authorities in connection with the issuance of food business licenses. We have obtained the relevant food business license for such canteen in May 2018.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have on-site medical staff at our Songbei Campus and are in the process of upgrading the school clinic in Songbei Campus and setting up a community hospital in Hanan Campus to provide free health services to our students and teachers. In addition, we entered into a cooperation agreement with a hospital within walking distance of our Songbei Campus to provide doctor's consultation and physical examination to our students and teachers and to advise our medical and management staff on disease prevention, campus hygiene and student diet and nutrition.

With respect to school safety, we ensure the security of our school by employing our own security personnel or by engaging third-party security company to provide a routine security service. During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident, medical situation or safety issue involving our students.

IMPACT OF COVID-19 AND PREVENTIVE MEASURES

There has been an outbreak of COVID-19 that was first reported in Wuhan, Hubei Province, in December 2019. The outbreak has endangered the health of many people residing in China and significantly disrupted travel and the economy across the country.

In view of the recent COVID-19 outbreak, and to better protect the safety and health of our student and faculty, we postponed the commencement of the spring semester of the 2019/2020 school year and have arranged for our students to take online courses for the spring semester of the 2019/2020 school year beginning in March 2020. According to the instructions from the Education Department of Heilongjiang Province, students of the higher education institutions in the province who are graduating in the spring semester of the 2019/2020 school year were recommended to return to campus and resume classes starting from June 1 to June 7, 2020, while the schools can determine the back-to-school timetable for non-graduating students at their own discretion. Accordingly, our fourth-year students had returned to campus in early June 2020 and graduated from school before the end of June 2020. On the other hand, our first-year to third-year students will continue their learning online for the remainder of the spring semester until they return to school campus in the fall semester of the 2020/2021 school year.

We do not expect the outbreak will have significant impact on our results of operations and financial condition for the school year ending August 31, 2020 as we have collected tuition fees and boarding fees in advance at the beginning of the school year in September 2019. We do not expect to refund tuition fees as we have been rendering education service online. However, we are required to refund a portion of the boarding fees collected for the 2019/2020 school year in accordance with the Notice on the Management of the School Fees During the Period of COVID-19 Prevention and Control issued by the Education Department of Heilongjiang Province in April 2020, which stipulates, among other things, that the boarding fees that were already collected from the students for the 2019/2020 school year shall be reassessed and refunded by the schools before the end of the spring semester of such school year based on the students' actual length of stay in the schools, the cost and expenses incurred for the student accommodation staff and the depreciation of assets, among other factors. Accordingly, the maximum amount of the boarding fees subject to refund is estimated to be approximately RMB5.0 million, which were recognized as contract liabilities as of February 29, 2020 and would be relatively insignificant as compared to the revenue we expect to derive from our operations for the same school year. Therefore, we do not believe that the outbreak of COVID-19 will materially impact our revenue for the year ending August 31, 2020.

We may face challenges if the outbreak prolongs, the operation of our school, including our student recruitment progress, may be adversely affected, which, in turn, will impact our financial performance in the 2020/2021 school year. However, as the number of newly confirmed cases continued to decrease in the PRC and Heilongjiang Province, many businesses have started to re-open in accordance with government guidance and various restrictive measures on travel and social distancing were gradually lifted for the residents within the country. According to the Frost & Sullivan Report, the number of student enrollment in private higher education in China and Heilongjiang Province is forecasted to increase from approximately 6.9 million and 117,200 in 2019, to approximately 7.3 million and 119,600 in 2020, respectively, while the total revenue of private higher education industry in China and Heilongjiang Province is forecasted to grow from RMB134.8 billion and RMB2.3 billion in 2019, to RMB150.2 billion and RMB2.5 billion in 2020, respectively, after fully taking into account of the impact of COVID-19 outbreak. The economies of the PRC and Heilongjiang Province are projected to recover from the COVID-19 outbreak in the second half of 2020 and the impact of which on the higher education in the PRC and Heilongjiang Province will be insignificant.

As a result of the COVID-19 pandemic, we have ceased conducting on-site promotion events at high schools across the country for the 2020/2021 school year, which were part of our traditional marketing and recruitment efforts. We have adopted or planned to adopt the following measures to compensate for the inadequate exposure of our school due to the lack of on-site promotion events: (i) launching an intelligent question-and-answering system, which provides 24-hour consultation service to prospective students and their parents; (ii) strengthening our marketing via different online channels, such as the online platform of China Higher Education Student Information Website, college information guides published by the education examination authority of each province and new media outlets; (iii) actively participating in influential online student admission consultation events and communicating with prospective students in a live setting; and (iv) encouraging existing students, teachers and alumni to help with the publicity and promotion of our school.

In light of the expected recovery of the economies of the PRC and Heilongjiang Province and the measures to mitigate the adverse effects of the COVID-19 outbreak, we believe that our recruitment progress for the 2020/2021 school year will not be materially and adversely hindered by the COVID-19 outbreak and our student enrollment for the next school year will not be negatively affected.

In the event our students are not able to attend classes on our school campus for the 2020/2021 school year due to health and safety concerns, we will continue to carry out teaching online, which has been on-going since March 2020. As we still render education services to our students online, we will continue to receive tuition fees and recognize such revenue in the ordinary course of business. However, we may lose a portion of the revenue from boarding fees since our students may no longer use the dormitories on campuses. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, revenue from boarding fees amounted to RMB8.5 million, RMB9.3 million, RMB10.3 million and RMB6.4 million, respectively, which accounted to not more than 8.0% of our total revenue for each of these years. In this case, even if we are not able to collect boarding fees from our students, we do not expect that our financial performance for the 2020/2021 school year will be materially and adversely affected.

We have made thorough plans to prepare for the return of our students and faculty, including the following preventive measures: (i) setting up a special epidemic prevention committee to oversee the overall implementation of the measures to combat COVID-19 outbreak; (ii) recording each student's health profile and ensuring that they have not been exposed to the virus and they are in good health within 14 days prior to their return to school. The health profiles will be updated daily with students' health conditions; (iii) arranging buses to pick students at the train station in Harbin City and testing their temperature before boarding the buses; (iv) quarantining those students who have returned to school campuses in June 2020 in designated dormitories until they have been tested for COVID-19 and received negative testing results; (v) monitoring the flow of people on our school campuses and in the classrooms to ensure that sufficient social distancing requirements are strictly maintained; (vi) closing the school campuses to the public and requiring students to obtain permission before leaving the campuses. Any kind of gathering among students or faculty will have to be pre-approved by the special epidemic prevention committee; and (vii) increasing the frequency of sterilization and ventilation at all of the facilities in our school campuses and strictly maintaining the health standards of our canteens to control the quality of food and beverage.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws or regulations, and other than the social insurance and housing provident fund non-compliance incident disclosed in this subsection below, we did not experience any other systemic non-compliance incidents, which taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any other material non-compliance of the laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner. According to our PRC Legal Advisors, other than disclosed in this prospectus, we had complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Set forth below is a summary of our systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

Non-compliance Incident	Reasons for the Non-Compliance	Legal Consequences and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on Our Group	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance
During the Track Record Period, we did not make social insurance payments and housing provident fund contributions in full for the employees of our school as the payment bases of social insurance and housing provident fund of such employees were not determined with reference to the actual salary levels of such employees as prescribed by the applicable PRC laws and regulations. As of August 31, 2017, 2018 and 2019 and February 29, 2020, we did not make social insurance payments in full for nil, nil, 388 and 388 of our employees, respectively. As of the same dates, we did not make housing provident fund contributions in full for 293, 339, 388 and 388 of our employees, respectively. As of the Latest Practicable Day, we did not make housing provident fund contributions for four employees who have entered into employment contracts with Harbin Xiangge, as Harbin Xiangge was still in the process of submitting its application to register the housing provident account with the relevant government authority.	This non-compliance was primarily caused by administrative oversight and our human resources staff being unfamiliar with relevant regulatory requirements.	Our PRC Legal Advisors have advised us that if we fail to pay the social insurance in accordance with the PRC laws and regulations, we may be ordered by the competent PRC government authority to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging between one to three times of the total outstanding balance. Our PRC Legal Advisors have also advised us that, if we fail to make housing provident fund contributions in accordance with the PRC laws and regulations, we may be ordered by the competent PRC government authority to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. On April 8, 2020, the Harbin City Bureau of Human Resources and Social Security issued a certificate confirming that (i) it is the competent government authority regulating the social insurance matters of our school; (ii) our school has handled the registration of social insurance, and the declaration and payment of social insurance premiums for its employees in accordance with the applicable laws and regulations; (iii) from the date of its establishment until the date of this certificate, our school has complied with the laws, regulations, rules and normative documents relating to social insurance, and has paid the social insurance premiums in full and on a timely basis for its employees who are required to pay social insurance in accordance with the bases of payment stipulated by the national and local laws and regulations; (iv) there is no default, omission or underpayment of social insurance premiums or other violation of social insurance laws and regulations, and there is no investigation or penalty imposed by the Harbin City Bureau of Human Resources and Social Security; and (v) there is no dispute or litigation with the bureau in relation to social insurance matters.	As of the Latest Practicable Date, no administrative action had been initiated against, and no fine or penalty had been imposed against us by the relevant PRC government authorities with respect to these non-compliance incidents, nor has any order been received by us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We undertake to pay full contributions of social insurance payments and housing provident fund for our employees as soon as practicable.	On the basis that as of the Latest Practicable Date, (i) we had made full provision for the outstanding balance of the social insurance and housing provident fund based on the estimation of the aggregate amount of social insurance and housing provident fund contributions that we failed to fully pay during the Track Record Period; and (ii) we undertake that if we receive any order from the relevant authorities requiring us to settle the unpaid social insurance payments and housing provident fund contributions within a time limit, we will fulfill the requirements in a timely manner, our Director are of the view that the risks of us being fined or penalized by the relevant authorities due to our failure to make full contributions of social insurance and housing provident fund are relatively low.	We are committed to be fully in compliance with the applicable laws and regulations by making statutory contributions to the social insurance scheme and the housing provident fund based on the actual salary levels of our employees going forward. We will make full social insurance and housing provident fund contributions in accordance with applicable laws and regulations within three months after the Listing.

Non-compliance Incident	Reasons for the Non-Compliance	Legal Consequences and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on Our Group	Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance
		According to the housing provident fund account payment certification issued by Harbin Housing Provident Fund Management Center (哈爾濱住房公積金管理中心) on March 18, 2020, which is the competent authority governing our school as advised by our PRC Legal Advisors, it was confirmed that (i) our school was able to make housing provident fund contributions on a timely basis for the period from January 2017 to February 2020; and (ii) there were no penalties being imposed on our school for violating any applicable laws, regulations and guidance documents relating to housing provident fund contributions during the Track Record Period. The aggregate amount of unpaid social insurance contributions was approximately nil, nil, RMB566,000 and RMB566,000 as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively, and the aggregate amount of unpaid housing provident fund contributions was approximately RMB270,000, RMB403,000, RMB646,000 and RMB990,000 as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively.		Our Directors are of the view that the maximum amount of outstanding social insurance payments and contributions to housing provident fund did not have a material adverse impact on our Group. Therefore, based on the foregoing, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.	In addition, we had reviewed our internal control policy and have designated Mr. Wang Yunfu, one of our executive Directors, to be directly responsible for overseeing the implementation of the rectification measures. In addition, we have adopted certain measures to strengthen our internal control in this regard, including assigning our human resources department to be responsible for closing monitoring our on-going compliance with the relevant social insurance and housing provident fund laws and regulations in PRC, calculating the amount to be paid and designating team to review the accuracy of such calculation.

Considering the nature, scale, reasons and potential impact of the non-compliance incidents disclosed in the section headed "– Legal Proceedings and Compliance" in this prospectus, our Directors are of the view that none of the non-compliances is fundamental to the daily operations of our school. Furthermore, our Controlling Shareholders have undertaken to indemnify us for all costs, expenses and losses incurred by us in relation to the aforementioned non-compliance incident. Please refer to the section headed "Appendix V Statutory and General Information – G. Other Information – 1. Deed of Indemnity" in this prospectus for further details.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent consulting firm (the "Internal Control Consultant") in September 2019 to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations, including formalizing and enhancing our internal policies and procedures over the business processes, and developing a record retention policy to properly retain signed control hardcopy records and softcopies. The Internal Control Consultant conducted its work in September 2019 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in October 2019. In its follow-up reviews, the Internal Control Consultant noted that we had followed all of its recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

We have established an internal control department and our school has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our school) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Mr. Wang Yunfu, one of our executive Directors, is responsible for ensuring our overall on-going compliance. Mr. Wang, who joined our Group in January 2013, has approximately 20 years of experience in corporate finance management and has been a certified public accountant accredited by the Chinese Institute of Certified Public Accountants since June 2010. He also has the relevant working knowledge of the internal control and compliance aspects of the businesses operating in the PRC. Accordingly, we believe that Mr. Wang has the qualification and experience to ensure our overall on-going compliance with the relevant rules and regulations.

Given that the Internal Control Consultant had performed the internal control review and follow-up procedures and did not have any further recommendation during the follow-up review, our Directors consider, which the Sole Sponsor concurs, that the enhanced internal control measures in place are adequate and effective to prevent future occurrence of the above non-compliance incident. After considering (i) our rectifications; (ii) internal control measures taken to prevent any future non-compliance incident mentioned above; (iii) the facts and circumstances leading to the non-compliance incident disclosed herein; (iv) the advice provided by our PRC Legal Advisors; and (v) as confirmed by our Directors, the incidents were not conducted intentionally, or involved any issue in the integrity, character or competence of our Directors, the Sole Sponsor are of the view that the non-compliance incidents of our Group do not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, (i) risk associated with the uncertainty of the laws regulating private higher education industry in the PRC and government policies which may impose restrictions of our operation; (ii) risk associated with the inherent difficulty in obtaining funding for operation as our school's assets are classified under public welfare facilities which cannot be pledged as collateral under PRC laws; (iii) risk associated with our ability to provide high quality education, which is largely affected by our ability to attract and retain talented teachers; and (iv) risk associated with the fierce competition in the markets for student recruitment and employment. Please refer to the section headed "Risk Factors" in this prospectus for disclosures on various risks we face with respect to our business and operations. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see the section headed "Financial Information – Quantitative and Qualitative Disclosures about Market Risk" in this prospectus.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the operations of our school, and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition, and to enter into cooperative business relationships with third parties to launch new education programs; and

- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry.

We have also established a comprehensive risk control mechanism to review and evaluate the soundness, rationality and effectiveness of our internal control system by a special review committee led by our school's audit and supervision office in accordance with applicable PRC laws and regulations as well as our internal control policies. Such mechanism primarily entails (i) a comprehensive review of the corporate structure and administration, risk management, operation activities, information and communication, and internal supervision; and (ii) a special review of the specific aspects of our business operation flow to ensure that our school achieves the following goals: (A) compliance with applicable laws and regulations; (B) legally conducting our business activities and preventing fraud and corruption; and (C) effectively using our resources and safeguarding our assets with authentic, complete and reliable financial reporting.

Our special review committee for internal control, consisting of our risk auditors and third-party professional consultant(s) engaged by us, carries out its functions through the following steps and procedures:

(1) *Preparation for review*. Before conducting the on-site review, the special review committee shall require the target department being reviewed or the responsible personnel of certain business operation unit to submit a self-assessment report on internal control, and fully collect the relevant records on the design and operation of the target department;

(2) *Preparation of evaluation plans*. The special review committee shall determine the specific content and focus of the evaluation and prepare a plan based on the collected internal control data and self-assessment report;

(3) *On-site evaluation and implementation*. The special review committee shall make comprehensive use of various methods, such as interviews and questionnaires, thematic discussions, walk-through tests, on-site inspections, sampling and comparative analysis, which will focus on assessing the soundness and rationality of the internal control system of the target department or the effectiveness of our business operation flow;

(4) *Identification of deficiencies*. Based on the results of the internal control system review and the self-assessment report, the special review committee shall make a comprehensive analysis of the internal control system to identify and verify defects; and

(5) *Reporting of the results*. When a conclusion is reached, the special review committee shall submit a comprehensive risk management and internal control report to be further inspected by the Board.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Shuren Education (which is owned as to 100% by Ms. Dong) and Junhua Education (which is owned as to 100% by Mr. Liu) holds 60% and 40% of the issued share capital of our Company, respectively. Furthermore, under Guidance Letter HKEx-GL89-16, Mr. Liu and Ms. Dong are presumed to be part of a group of controlling shareholders by virtual of their spousal relationship. Accordingly, each of Ms. Dong and Mr. Liu, Shuren Education and Junhua Education is a Controlling Shareholder of our Company. Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

Information on Other Companies Owned by Our Controlling Shareholders

We are currently engaged in the provision of private higher education offering a wide range of bachelor's degree programs related to the fields of business, railway and arts.

Mr. Liu and Ms. Dong, our Controlling Shareholders, currently hold interests in certain companies outside of our Group (the "Non-Group Companies"), which are engaged in businesses in different industries and sectors from our Group, including, among others, property development and elderly care related product and service development. As of the Latest Practicable Date, none of the Non-Group Companies are engaged in the business of providing private higher education.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Under the Structured Contracts, Mr. Liu and Ms. Dong have provided certain non-competition undertakings in favour of our Company. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Business Cooperation Agreement" for details of the non-competition undertaking provided by Mr. Liu and Ms. Dong, as the shareholders of Harbin Xiangge, under the Structured Contracts.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his/her respective associates after completion of the Global Offering:

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Liu, a Controlling Shareholder, is the chairman and an executive director of our Company. Ms. Dong, a Controlling Shareholder, is an executive director of our Company.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

We have also established a set of internal control procedures to facilitate the effective operation of our business.

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective associates. Our Directors confirmed that our Group will be able to operate independently from our Controlling Shareholders and their associates upon the Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

During the Track Record Period, Mr. Liu and Ms. Dong, our Controlling Shareholders, and companies controlled by him and/or her, provided certain advances to our PRC Consolidated Affiliated Entities and provided guarantee and/or security in favour of third party lenders for advances to our PRC Consolidated Affiliated Entities. See notes 24 and 30 of the Accountants' Report in Appendix I to this prospectus for more information. All such advances will be fully repaid while the guarantee and/or security will be released (as the case may be) upon the Listing.

Other than the above, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation Given by Directors

Each Director confirms that he or she does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Structured Contracts;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Structured Contracts; and

(c) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Structured Contracts in the annual report of our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB'000) for the year ending August 31, 2020	2021	2022
	Non-exempt continuing connected transactions					
(1). . .	Structured Contracts	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

Non-exempt Continuing Connected Transactions

(1) Structured Contracts

As disclosed in the paragraph headed "Structured Contracts – Background of the Structured Contracts" in this prospectus, the relevant PRC laws and regulations currently restrict the operation of formal higher education to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. Further, no government approval for establishing and operating a formal higher education institution in the Heilongjiang Province by way of Sino-foreign ownership was granted. As a result, our Group, through the WFOE and our PRC Consolidated Affiliated Entities have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through Heilongjiang College while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of Heilongjiang College, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Consolidated Affiliated Entities after the Listing through WFOE. As we operate our education business through Heilongjiang College, which is controlled by Harbin Xiangge and we do not hold any direct equity interest in Harbin Xiangge or Heilongjiang College, the Structured Contracts were entered into. Pursuant to the Structured Contracts, all material business activities of Heilongjiang College are instructed and supervised by our Group, through WFOE, and the relevant economic benefits arising from such business of Heilongjiang College are transferred to our Group.

The Structured Contracts consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney, the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney and the Loan Agreement, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this prospectus for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. Liu Laixiang . .	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Ms. Dong Ling . . .	a Director and a substantial shareholder of our Company and therefore a connected person of our Company under the Listing Rules
Mr. Che Wenge . . .	a Director and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our Company's independent shareholders.

Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the equity or school sponsor's interest held by the shareholders of Harbin Xiangge, at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our PRC Consolidated Affiliated Entities under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Consolidated Affiliated Entities as appointed by Harbin Xiangge or the shareholders of Harbin Xiangge, as the case may be.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the respective holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Consolidated Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst Our PRC Consolidated Affiliated Entities and Our Company

Given that the financial results of our PRC Consolidated Affiliated Entities have been consolidated into our financial results and the relationship between our PRC Consolidated Affiliated Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Consolidated Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Consolidated Affiliated Entities can be effectively controlled by WFOE or its designee, (ii) WFOE or its designee can obtain the economic benefits derived from the PRC Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the PRC Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consists of seven Directors. Four of them are executive Directors and three of them are independent non-executive Directors. The table below sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Liu Laixiang (劉來祥) . .	55	February 2007	February 19, 2020	Chief executive officer, chairman and executive Director	Overall management and strategic development of our Group	Spouse of Ms. Dong Ling
Dong Ling (董玲). . . .	51	February 2007	February 19, 2020	Executive Director	Business management, participating in major decision making and providing opinion to our Board	Spouse of Mr. Liu Laixiang
Wang Yunfu (王雲福) . .	49	January 2013	February 19, 2020	Executive Director	Overall management of financial and accounting affairs of our Group	None
Che Wenge (車文閣) . .	53	February 2007	February 19, 2020	Executive Director	Overseeing and management of campus development and labour affairs of our Group	None
Zhang Su (張甦). . . .	45	July 2020	July 22, 2020	Independent non-executive Director	Providing independent opinion and judgment to our Board	None

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Cao Shaoshan (曹少山) . .	49	July 2020	July 22, 2020	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Chan Ngai Fan (陳毅奮) . .	40	July 2020	July 22, 2020	Independent non-executive Director	Providing independent opinion and judgment to our Board	None

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information regarding senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship with other Director(s) and the senior management
Zhao Jinbo (趙金波) . .	51	September 2015	February 2020	General Manager of our Company; Vice-principal of Heilongjiang College	Overseeing and strategic planning of information system development of our Group	None
Li Guorun (李國潤) . .	38	June 2006	February 2020	Deputy General Manager of our Company; Office Director of Heilongjiang College	Managing teaching related matters	None

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Laixiang (劉來祥), aged 55, the founder of our Group and the principal of Heilongjiang College (since May 2017), was appointed as the chief executive officer, the chairman of the Board and an executive Director of our Company on February 19, 2020 and in charge of the overall management and strategic development of our Group. Mr. Liu is the spouse of Ms. Dong Ling, our executive Director.

Mr. Liu has approximately 15 years of experience in education. At the early stage of Mr. Liu's career, he served as a staff member (科員) in Heilongjiang Planning Commission* (黑龍江省計劃委員會) (now known as Heilongjiang Development and Reform Commission* (黑龍江省發展和改革委員會)) from August 1991 to December 1994. He then moved on to invest in and lead the operations of different businesses in the PRC, for example, cross-border trading business involving different parties based in Russia from January 1995 to December 1999. He established Shuangyashan Huaxing Furniture Industry Co., Ltd.* (雙鴨山市華興家具實業有限公司) in January 2000 and Daqing Xiangge Property Development Limited* (大慶市祥閣房地產開發有限公司) in May 2001, which is primarily related to property investment in the PRC. The following table shows the key work experience of Mr. Liu related to the education industry:

Period	Company/Organization	Position	Roles and responsibilities
March 2006 to May 2011	Limin Campus	Chairman	Overall work of the board of directors and major decision making
June 2011 to March 2015	Chengdong College	Chairman of the board of directors	Overall work of the board of directors and major decision making
February 2007 to present	Harbin Xiangge	Chairman, Executive Director	Overall work of the board of directors and major decision making

Period	Company/Organization	Position	Roles and responsibilities
April 2015 to present	Heilongjiang College	Principal and Chairman of the board of directors (理事長)	In charge of strategic planning, overall management of the College on administrative matters, human resources, teaching and research activities and major decision making

Mr. Liu obtained the qualification as a senior economist issued by Heilongjiang Human Resources and Social Security Bureau (黑龍江省人力資源和社會保障廳) in September 2018. He obtained a bachelor's degree in Science and a master's degree in Science from Harbin Normal University (哈爾濱師範大學) in July 1988 and June 1991 respectively. He obtained a doctorate degree in Economics from Renmin University of China (中國人民大學) in June 2007.

Mr. Liu took certain positions in the below PRC companies ("Relevant Companies"), of which the business licence was revoked or business registration was deregistered with the relevant local authorities as of the Latest Practicable Date.

Relevant Companies	Date of Establishment	Status	Date of revocation/ deregistration	Mr. Liu's Position(s)
Heilongjiang Construction Engineering Group Co., Ltd. Daqing Xiangge Branch* (黑龍江省建工集團有限責任公司大慶祥閣分公司).	June 30, 2003	Revoked	April 16, 2010	Person in charge
Daqing Huixiang Science and Technology Development Center (General Partnership)* (大慶市匯祥科技開發中心(普通合夥)).	August 8, 2007	Revoked	April 16, 2010	executive partner

Relevant Companies	Date of Establishment	Status	Date of revocation/ deregistration	Mr. Liu's Position(s)
Hainan Jinyuanxiang Real Estate Development Co., Ltd.* (海南金源祥房地產開發有限公司)	August 4, 2009	Deregistered	April 26, 2017	Executive director, legal representative
Shuangyashan Huaxing Furniture Industry Co., Ltd.* (雙鴨山市華興家具實業有限公司)	January 28, 2000	Revoked	September 1, 2007	Chairman, legal representative
Sichuan Yibin Santaiyuan Real Estate Development Co., Ltd.* (四川宜賓三泰源房地產開發有限公司)	December 31, 2003	Revoked	August 31, 2007	Executive director, legal representative
Sichuan Santaiyuan Investment Co., Ltd* (四川三泰源投資有限公司)	July 9, 2003	Revoked	April 20, 2010	Executive Director, legal representative
Daqing Xiangge Automobile Sales & Service Co., Ltd.* (大慶祥閣汽車銷售服務有限公司)	April 28, 2004	Revoked	April 16, 2010	Executive director, general manager and legal representative
Harbin Xinjianyuan Economic and Trade Co., Ltd.* (哈爾濱新建元經貿有限公司)	January 28, 2005	Deregistered	November 17, 2014	Executive director, legal representative

Relevant Companies	Date of Establishment	Status	Date of revocation/ deregistration	Mr. Liu's Position(s)
Harbin Yulin Qingshu Tourism Technology Development Co., Ltd.* (哈爾濱魚林青蔬旅遊科技開發有限公司) . . .	June 28, 2017	Deregistered	July 31, 2019	Executive director, general manager, legal representative
Dalian Xiangge Real Estate Development Co., Ltd.* (大連祥閣房地產開發有限公司).	September 19, 2007	Deregistered	November 18, 2010	Executive director, general manager, legal representative
Daqing Intelligent Communication Information Technology Co., Ltd.* (大慶市智能通信息技術有限公司)	January 8, 2002	Deregistered	June 20, 2011	Supervisor

Under the relevant PRC laws and regulations, one of the grounds of revocation of a company's business licence is that its business activities have been suspended voluntarily for more than 6 months. Following the revocation of business licence, the subject company still exists but it can no longer engage in any business activities. Deregistration of a company can be initiated by a shareholders' resolutions, a liquidator or a court order and the subject company will no longer exist after the completion of the deregistration process. The revocation of business licence or deregistration of the Relevant Companies (as the case may be) was due to the fact that they were not engaged in any business activities within the three years (or for a shorter period which has exceeded the specified period under the relevant laws and regulations) prior to the date of the revocation/deregistration. As at the time of the revocation/deregistration, none of the Relevant Companies was insolvent, had any outstanding liabilities or was involved in any pending claims. Mr. Liu confirmed that none of the Relevant Companies the business licence of which was revoked have engaged in any business activities since the revocation. So far as Mr. Liu was aware, the revocation of business licence or deregistration of the Relevant Companies has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Companies.

Mr. Liu did not hold any directorship in any listed companies during the last three years.

Ms. Dong Ling (董玲) (formerly known as Dong Qingxin (董慶新)), aged 51, joined our Group in February 2007 and was appointed as an executive Director of our company on February 19, 2020, responsible for business management, participating in major decision making and providing opinion to our Board. Ms. Dong is the spouse of Mr. Liu, our executive Director.

Ms. Dong has nearly 23 years of experience in education. At the early stage of Ms. Dong's career, she served as a staff member (科員) in Heilongjiang Province Border Economic & Trade Bureau* (黑龍江省邊境經濟貿易管理局) from July 1991 to March 1997. She then took the role of teacher in Heilongjiang Province Foreign Trade College* (黑龍江省對外貿易學校) from March 1997 to July 2001. The following table shows the subsequent key work experience of Ms. Dong:

Period	Company/Organization	Position	Roles and responsibilities
August 2001 to present	Daqing Xiangge Property Development Limited* (大慶市祥閣房地產開發有限公司)	Deputy General Manager	Assisting the Chairman in overall work of the board of directors and major decision making
February 2007 to present	Harbin Xiangge	Deputy General Manager	Assisting the Chairman in overall work of the board of directors and major decision making
April 2015 to present	Heilongjiang College	Director (理事), Head of International Cooperation and Exchange Division and Lecturer	In charge of strategic planning and overall management of matters related to international cooperation and exchange of the College
August 2019 to present	Liankang Consulting	General Manager	Overall work of the board of directors and major decision making

Ms. Dong obtained a bachelor's degree in Arts from Harbin Normal University (哈爾濱師範大學) in July 1991. She obtained the qualification of lecturer (講師) issued by Heilongjiang Human Resources and Social Security Bureau (黑龍江省人力資源和社會保障廳) (previously Heilongjiang Human Resources Bureau 黑龍江省人事廳) in September 2000.

Ms. Dong took certain positions in the below PRC companies ("Relevant Companies"), of which the business licence was revoked or business registration was deregistered with the relevant local SAIC authorities as of the Latest Practicable Date.

Relevant Companies	Date of Establishment	Status	Date of revocation/ deregistration	Ms. Dong's position(s)
Sichuan Yibin Santaiyuan Real Estate Development Co., Ltd.* (四川宜賓三泰源房地產開發有限公司).	December 31, 2003	Revoked	August 31, 2007	Supervisor
Daqing Xinyuan Real Estate Brokerage Consulting Co., Ltd.* (大慶鑫源房地產經紀諮詢有限公司)	July 13, 2004	Revoked	April 16, 2010	Supervisor
Daqing Xiangge Automobile Sales & Service Co., Ltd.* (大慶市祥閣汽車銷售服務有限公司)	April 28, 2004	Revoked	April 16, 2010	Supervisor
Daqing Xiangge Agricultural Market* (sole proprietorship) (大慶市祥閣農貿市場). .	January 15, 2003	Revoked	July 11, 2007	Supervisor
Beijing Xiangge Real Estate Development Co., Ltd.* (北京市祥閣房地產開發有限公司) . .	October 19, 2007	Deregistered	February 26, 2016	General manager, executive director, legal representative

Relevant Companies	Date of Establishment	Status	Date of revocation/ deregistration	Ms. Dong's position(s)
Daqing Intelligent Communication Information Technology Co., Ltd.* (大慶市智能通信息技術有限公司) . .	January 8, 2002	Deregistered	June 20, 2011	Executive director, general manager, legal representative

Under the relevant PRC laws and regulations, one of the grounds of revocation of a company's business licence is that its business activities have been suspended voluntarily for more than 6 months. Following the revocation of business licence, the subject company still exists but it can no longer engage in any business activities. Deregistration of a company can be initiated by a shareholders' resolutions, a liquidator or a court order and the subject company will no longer exist after the completion of the deregistration process. The revocation of business licence or deregistration of the Relevant Companies (as the case may be) was due to the fact that they were not engaged in any business activities within the three years (or for a shorter period which has exceeded the specified period under the relevant laws and regulations) prior to the date of the revocation/deregistration. As at the time of the revocation/deregistration, none of the Relevant Companies was insolvent, had any outstanding liabilities or was involved in any pending claims. Ms. Dong confirmed that none of the Relevant Companies the business licence of which was revoked have engaged in any business activities since the revocation. So far as Ms. Dong was aware, the revocation of business licence or deregistration of the Relevant Companies has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Companies.

Ms. Dong did not hold any directorship in any listed companies during the last three years.

Mr. Wang Yunfu (王雲福), aged 49, joined our Group in January 2013 and was appointed as an executive Director of our company on February 19, 2020, responsible for overall management of financial and accounting affairs of our Group.

Mr. Wang has substantive work experience in accounting and financial management. Prior to joining our Group, Mr. Wang served as the financial controller of Heilongjiang Jia Feng Green Food Ltd.* (黑龍江嘉峰綠色食品有限公司), a company primarily engaged in the development and manufacturing of food products from 2001 to 2010 and the finance manager of Hanfeng Controlled Release Fertilizer (Heilongjiang) Co., Ltd* (漢楓緩釋肥料(黑龍江)有限公司), a company primarily engaged in the manufacturing and sales of different types of fertilizer from 2011 to 2012. The following table shows the key work experience of Mr. Wang in our Group:

Period	Company/Organization	Position	Roles and responsibilities
January 2013 to present	Harbin Xiangge	Chief Financial Officer and Deputy General Manager	Management of financial and accounting affairs of the company; assisting the Chairman to make strategic decisions related to financing
March 2016 to present	Heilongjiang College	Chief Accountant	Management of financial and accounting affairs of the college

Mr. Wang obtained a bachelor's degree in Finance and Accounting from Harbin Economic Management Cadres College* (哈爾濱經濟管理幹部學院) in January 2001. He passed the national examination in Accounting (intermediate level) administered by the Ministry of Finance of the PRC in May 2002. He has been a certified public accountant accredited by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since June 2010.

Mr. Wang did not hold any directorship in any listed companies during the last three years.

Mr. Che Wenge (車文閣), aged 53, joined our Group in February 2007 and was appointed as an executive Director of our company on February 19, 2020, responsible for overseeing and management of campus development and labour affairs of our Group.

Mr. Che has approximately 14 years of experience in education. Prior to joining our Group, Mr. Che had extensive work experience in the governmental bodies in the PRC. He served as a secretary in the Shuangyashan Municipal Committee Office* (雙鴨山市委辦公室) from July 1988 to October 1997. He then served as the Executive Secretary and Consultant in Shuangyashan Municipal Government Office (雙鴨山市政府辦公室) from 1997 to 2000 and from 2001 to 2003, respectively. He also served as the deputy general manager of Daqing Xiangge Property Development Limited* (大慶市祥閣房地產開發有限公司) from September 2003 to February 2007 at which he was in charge of sales related matters. The following table shows the key work experience of Mr. Che related to the education industry:

Period	Company/Organization	Position	Roles and responsibilities
May 2006 to July 2012	Limin Campus	Deputy chairman of the board (副董事長)	Overseeing matters related to construction of campus
July 2012 to July 2015	Chengdong College	Deputy chairman of the board (副董事長)	Overseeing matters related to construction of campus
February 2007 to present	Harbin Xiangge	General manager	Overall management of the operation of the company
July 2015 to present	Heilongjiang College	Deputy head of the board of directors (副理事長), President of labour union	In charge of development and management related to new campus of the College and oversee administrative matters in labour union and relationship with labour

Mr. Che obtained a bachelor's degree in Business Administration from Heilongjiang Business College* (黑龍江商學院) (now known as Harbin University of Commerce* 哈爾濱商業大學) in 1988.

Mr. Che took certain positions in the below PRC companies ("Relevant Companies"), of which the business registration was deregistered with the relevant local authorities as of the Latest Practicable Date.

Relevant Companies	Date of establishment	Date of deregistration	Mr. Che's position(s)
Harbin Bangji Grain Trade Co., Ltd.* (哈爾濱邦吉糧食貿易有限責任公司)	July 6, 2015	January 7, 2019	Executive director, general manager, legal representative
Daqing Xinrui Consulting Service Co., Ltd.* (大慶鑫凱瑞諮詢服務有限公司).	April 3, 2008	June 26, 2009	Executive director, general manager, legal representative
Daqing Kairuite Corporate Management Co., Ltd.* (大慶凱瑞特企業管理有限公司)	April 3, 2008	June 26, 2009	Supervisor

The deregistration of the Relevant Companies was due to the fact that they were not engaged in any business activities within the three years prior to the date of the deregistration and the relevant shareholder(s) had resolved to dissolve the entity. As at the time of the deregistration, none of the Relevant Companies was insolvent, had any outstanding liabilities or was involved in any pending claims. So far as Mr. Che was aware, the deregistration of the Relevant Companies has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the Relevant Companies.

Mr. Che did not hold any directorship in any listed companies during the last three years.

Independent non-executive Directors

Mr. Zhang Su (張甦), aged 45, was appointed as an independent non-executive Director of our Company on July 22, 2020, responsible for providing independent opinion and judgement to our Board.

Mr. Zhang has over 12 years of experience in education. The following table shows the key work experience of Mr. Zhang:

Period	Organization	Position	Roles and responsibilities
July 2005 to May 2007	Peking University	Postdoctoral researcher	Conducting research related to integrated circuit industry
May 2007 to present.	Central University of Finance and Economics	Professor	Teaching of and academic research in the fields of Microeconomics and Macroeconomics

Mr. Zhang graduated from Hunan Higher College of Finance and Economics* (湖南財經高等專科學校) (now known as Hunan University of Finance and Economics (湖南財政經濟學院)) with specialization in Marketing in June 1997. He obtained a master's degree in Industrial Economics (產業經濟學) from Hunan Normal University (湖南師範大學) in June 2002 and a doctorate degree in Economics (Political Economics) from Renmin University of China (中國人民大學) in June 2005.

Mr. Zhang did not hold any directorship in any listed companies during the last three years.

Mr. Cao Shaoshan (曹少山), aged 49, was appointed as an independent non-executive Director of our Company on July 22, 2020, responsible for providing independent opinion and judgement to our Board. Mr. Cao has extensive experience in the field of corporate finance and investment management.

The following table shows the key work experience of Mr. Cao:

Period	Company	Position	Roles and responsibilities
August 2000 to March 2004	Credit Suisse Hong Kong Limited	Vice-president	Origination and execution of corporate finance and M&A transactions
April 2004 to May 2006	Citigroup Global Markets Hong Kong Limited	Vice-president	Origination and execution of corporate finance and M&A transactions

Period	Company	Position	Roles and responsibilities
June 2006 to May 2009	China International Capital Corporation Hong Kong Limited	Executive director, co-head of M&A division and head of real-estate finance division	In charge of strategic decision making and management in M&A and real-estate finance divisions
June 2009 to present	Orizon Capital Group Limited* (河山國際資本集團有限公司)	Chairman	Overall work of the board of directors and major decision making
December 2015 to present	Beidou Guoxin Fund Management (Beijing) Limited* (北斗國信基金管理(北京)有限公司)	General Manager	Overall management and strategic planning of the company
December 2016 to present	Beidou Guoxin Fund Management (Zhuhai – Hengqin) Limited* (北斗國信(珠海橫琴)基金管理有限公司)	General Manager	Overall management and strategic planning of the Company

Mr. Cao obtained a Bachelor's Degree of Arts majoring in English Language from the Beijing Foreign Studies College (北京外國語學院) (now Beijing Foreign Studies University (北京外國語大學)) in July 1993 and a Master's Degree in Business Administration (MBA) from the University of Virginia Darden Business School in May 2000. He has been admitted as a diploma holder of the Association of Chartered Certified Accountants since May 1997.

Mr. Cao was the director of Yoru Hotels & Resorts (HK) Limited (incorporated on September 1, 2008) and Yoru Hotels & Resorts Holdings Limited (incorporated on August 26, 2008), each being a private limited company incorporated in Hong Kong and was deregistered as a defunct private company pursuant to section 291AA of the predecessor Companies Ordinance (Cap. 32) on January 24, 2014 and November 26, 2010, respectively. The relevant companies were not engaged in any business activities since their respective incorporation date. As at the time of the deregistration, none of the above companies was insolvent, had any outstanding liabilities or was involved in any pending claims. So far as Mr. Cao was aware, the deregistration of the above companies has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against such companies.

Mr. Cao did not hold any directorship in any listed companies during the last three years.

Mr. Chan Ngai Fan (陳毅奮), aged 40, was appointed as an independent non-executive Director of our Company on July 22, 2020, responsible for providing independent opinion and judgement to our Board.

Mr. Chan has approximately 13 years of experience in auditing, accounting and financial management. In the early stage of his career, Mr. Chan worked successively in JBPB & Company (formerly known as Grant Thornton and later merged with BDO Limited), with his last position as an assistant manager in assurance from August 2007 to February 2011. From March 2011 to April 2015, he served as the chief financial officer of a PRC-based mining company and he was responsible for, among others, preparation of financial reports and handling matters related to external financing and reorganization. He also served as the company secretary of Heysea Yachts Holdings Company Limited (海星遊艇控股有限公司) and was appointed in May 2019.

The following table shows the other key work experience of Mr. Chan:

Period	Company	Position	Roles and responsibilities
May 2015 to April 2018.	KPa-BM Holdings Limited (應力控股有限公司*) (stock code: 2663)	Financial Controller	Management of financial reporting, treasury and financial control matters
September 2016 to April 2018; January 2019 to March 2019	Shenzhen Mingwah Aohan High Technology Corporation Limited* (深圳市明華澳漢科技股份有限公司) (stock code: 8301)	Non-executive Director	Supervision of the overall business operation of the company
April 2018 to January 2019	Shenzhen Mingwah Aohan High Technology Corporation Limited* (深圳市明華澳漢科技股份有限公司) (stock code: 8301)	Executive Director and Chief Financial Officer	Management of work to improve internal control and coordination with auditors
August 2017 to May 2018	Sino Vision Worldwide Holdings Limited (新維國際控股有限公司) (formerly DX.com Holdings Limited or DX.com 控股有限公司) (stock code: 8086)	Independent non-executive director	Providing independent opinion to the board of the company

Period	Company	Position	Roles and responsibilities
January 2019 to May 2019	Sino Vision Worldwide Holdings Limited (新維國際控股有限公司) (formerly DX.com Holdings Limited or DX.com 控股有限公司) (stock code: 8086)	Company Secretary	Handling compliance related matters
January 2019 to present	Centenary United Holdings Limited (世紀聯合控股有限公司) (stock code: 1959)	Joint Company Secretary	Handling compliance related matters
May 2019 to April 2020	Heysea International Yachts Company Limited (海星國際遊艇有限公司)	Chief Financial Officer	Management of financial reporting, treasury and financial control matters

Saved for the aforesaid, Mr. Chan is not and was not appointed as a director of any listed company in the past three years.

Mr. Chan obtained a bachelor's degree in Arts in Accountancy and a master's degree in Corporate Governance from the Hong Kong Polytechnic University in December 2007 and October 2013, respectively. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising), and an associate member of the Hong Kong Institute of Chartered Secretaries since February 2011 and November 2019, respectively.

SENIOR MANAGEMENT

Mr. Zhao Jinbo (趙金波), aged 51, joined our Group in September 2015 and was appointed as the General Manager of our Company on February 19, 2020 and the Vice-principal of Heilongjiang College in August 2016. Mr. Zhao has substantive work experience in software engineering (including serving in Northern Caijing Group Ltd.* (北方彩晶集團有限公司) and its subsidiary Jilin Northern Caijing Display Ltd.* (吉林北方彩晶顯示有限公司) between June 2002 and October 2005, which were primarily engaged in the production and sales of Liquid Crystal Display (LCD) products and electronic components) and is primarily responsible for overseeing and strategic planning of information system development of our Group.

The following table shows the key work experience of Mr. Zhao:

Period	Company/Organization	Position	Roles and responsibilities
September 1991 to October 1993. . . .	Human resources Bureau of Qiqihar Municipal* (齊齊哈爾市人事局)	Staff member* (科員)	Administrative work related to management of professional and skilled employees and approval of remuneration in specific work units
November 1993 to May 2002	Changchun Optics Precision Machinery College* (長春光學精密機械學院) (the predecessor of Changchun University of Science and Technology)	Teacher	Teaching and academic research
November 2005 to September 2008 . .	Heilongjiang Huizhijinhe Software Engineering Limited* (黑龍江匯智金合軟件工程股份有限公司) (formerly Heilongjiang Heidatongqing Software Engineering Limited* (黑龍江黑大同慶軟件工程股份有限公司))	General Manager, Deputy General Manager	Overall management of the business and operation of the company
March 2009 to September 2015 . .	Changchun Jida Scola Co., Ltd* (長春吉大博碩科技有限責任公司)	Deputy General Manager, Chief Engineer, Head of Department (部長)	Assisting the overall management of the business and operation of the company and in charge of matters related to product engineering
September 2015 to present	Heilongjiang College	Vice-Principal; Assistant to Principal	Assisting the Principal in overall management of Heilongjiang College

Mr. Zhao obtained the qualification as a senior information system project manager (信息系統項目管理師) from Jilin Province Personnel Examination Center (吉林省人事考試中心) in May 2014. He obtained a bachelor's degree in Statistics from Nankai University (南開大學) in July 1991.

Mr. Zhao was a shareholder, executive director and legal representative of Jilin Tiancheng Software Engineering Co., Ltd.* (吉林省天誠軟件工程有限公司) which was incorporated in the PRC on September 4, 1997. The business licence of the company was revoked on December 18, 2003 by the local SAIC authority due to non-fulfillment of the annual inspection requirement as Mr. Zhao had a change in personal plan and did not intend to continue the business operation of the company at the relevant time. As at the time of revocation of business licence, the company was not insolvent, and did not have any outstanding liabilities or was involved in any pending claims. Mr. Zhao confirmed that since the revocation and as of the Latest Practicable Date, the company has not carried out any business activities and so far as he was aware, the revocation of the business licence has not resulted in any punishment or fines imposed by any competent authorities, nor has it resulted in any outstanding or potential claims or liabilities against the relevant company.

Mr. Zhao did not hold any directorship in any listed companies during the last three years.

Mr. Li Guorun (李國潤), aged 38, joined Chengdong College, our predecessor, in June 2006 as a teaching secretary (教學秘書) and has continued to be a staff member of our Group since then. He was appointed as the Deputy General Manager of our Company on February 19, 2020 and the Office Director of Heilongjiang College in April 2017. Mr. Li is primarily responsible for managing teaching related matters.

The following table shows the key work experience of Mr. Li:

Period	Organization	Position	Roles and responsibilities
June 2006 to July 2008	Chengdong College	Teaching secretary (教學秘書)	Providing support to teaching and administrative function
July 2008 to June 2011	Chengdong College	Deputy section chief (副科長) of college office	Managing international exchange affairs of the college
July 2011 to May 2015	Chengdong College	Teacher in Foreign Language Department	Teaching of English

Period	Organization	Position	Roles and responsibilities
May 2015 to June 2016	Heilongjiang College	Teacher in Foreign Language Department	Teaching of English
June 2016 to April 2017.	Heilongjiang College	Deputy Head of Foreign Language Department	Overseeing administrative matters of the department and teaching of English
April 2017 to present	Heilongjiang College	Office Director	Managing teaching related matters

Mr. Li obtained a bachelor's degree of Arts majoring in English Language from Northeast Agricultural University (東北農業大學) in July 2006 and a master's degree in English Translation (Oral) in June 2016 from Heilongjiang University (黑龍江大學). He also obtained the qualification as higher education teacher (English) in July 2014 issued by the Ministry of Education of Heilongjiang Province and the qualification as associate professor (foreign language) issued by the Heilongjiang Talents Service Bureau* (黑龍江人才服務局) in September 2016.

Mr. Li did not hold any directorship in any listed companies during the last three years.

COMPANY SECRETARY

Mr. Chang Eric Jackson (張世澤) (formerly known as Chang Eric Jackson (張再祖)), aged 40, was appointed as the company secretary of our Company on February 19, 2020. Mr. Chang has over 17 years of experience in accounting, finance and business advisory work. Mr. Chang is currently the chief financial officer and the company secretary of Sanxun Holdings Group Limited, a real estate developer in the PRC focusing on the development and sales of residential properties in Anhui Province (through its subsidiaries). He was an independent non-executive director of Centenary United Holdings Limited (stock code: 1959.HK) from September 2019 to May 2020. He has also been an independent non-executive director of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (stock code: 1709.HK) and Transmit Entertainment Limited (formerly known as Pegasus Entertainment Holdings Limited) (stock code: 1326.HK) since May 2018 and December 2017, respectively. Prior to the above roles, Mr. Chang also worked successively as an associate and a senior manager in PricewaterhouseCoopers Ltd. from September 2002 to September 2013. Mr. Chang obtained a bachelor of commerce degree from University of British Columbia in May 2002. Mr. Chang has been a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants since September 2005 and January 2005, respectively.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, risk management process and external audit functions. The audit committee consists of three members, namely, Mr. Chan Ngai Fan, Mr. Zhang Su and Mr. Cao Shaoshan. The chairman of the audit committee is Mr. Chan Ngai Fan.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Zhang Su, Mr. Liu Laixiang and Mr. Cao Shaoshan. The chairman of the remuneration committee is Mr. Zhang Su.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of the Board. The nomination committee consists of three members, namely, Mr. Liu Laixiang, Mr. Zhang Su and Mr. Cao Shaoshan. The chairman of the nomination committee is Mr. Liu Laixiang.

REMUNERATION POLICY

For the three years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, the aggregate of the remuneration and pension schemes contributions paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB660,000, RMB698,000, RMB805,000 and RMB459,000, respectively.

For the three years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, the aggregate of the remuneration and pension schemes contributions paid and benefits in kind granted to the five highest paid individuals who are neither a director nor chief executive of our Group was RMB666,000, RMB677,000, RMB690,000 and RMB482,000, respectively.

During the Track Record Period, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending August 31, 2020 will be approximately HK$1.07 million.

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to retain suitable personnel in our Group, we adopted the Share Option Scheme on July 22, 2020. For further details, see "Appendix V – Statutory and General Information – F. Share Option Scheme" to this prospectus.

Save as disclosed in this prospectus, no other payments had been made, or are payable, by any member of our Group to the Directors during the Track Record Period.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and Rule 13.92 of the Listing Rules, except for Code A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Liu is both our Chief Executive Officer and Chairman. As Mr. Liu has been managing the business and in charge of the overall strategic planning of Harbin Xiangge since 2007 and Heilongjiang College (including its predecessor) since 2011, our Board believes that vesting the roles and functions of both Chief Executive Officer and Chairman in the same person can ensure consistent leadership and efficient discharge of executive functions within our Group which is beneficial to the overall operation and management of our Group. In addition, taking into consideration the corporate governance measures to be implemented upon Listing, including that (i) the Board comprises five other experienced and high-calibre individuals including two other executive Directors (excluding Ms. Dong who is Mr. Liu's spouse for this purpose) and three independent non-executive Directors who would be able to offer advice from various perspectives and (ii) for major decisions of our Group, the Board will make consultations with appropriate Board committees and senior management, our Group considers that the balance of power and authority of the present arrangement will not be impaired. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole.

Our Directors will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary. Our Directors will review our other corporate governance policies and compliance with the Corporate Governance Code in each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the Listing.

Board Diversity

We have adopted a board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to education business. Furthermore, our Board has a wide range of age, ranging from 40 years old to 55 years old. We also have a good mix of new and experienced Directors that three of our executive Directors have joined our Group for more than 10 years, who have valuable knowledge and insights of our Group's business over the years, while the other Directors are expected to bring in fresh ideas and new perspectives to our Group. Our nomination committee will: (i) report annually, in the corporate governance report contained in our annual report, on the Board's composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (ii) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Management Presence" in this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Maxa Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of Maxa Capital Limited will commence from (and including) the Listing Date and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Liu(2)(3)	Interest in a controlled corporation/Interest of spouse	500,000,000	75%
Junhua Education. . . .	Beneficial owner	200,000,000	30%
Ms. Dong(4)(5)	Interest in a controlled corporation/Interest of spouse	500,000,000	75%
Shuren Education. . . .	Beneficial owner	300,000,000	45%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Junhua Education is 100% owned by Mr. Liu and he is therefore deemed to be interested in all the Shares held by Junhua Education upon the Listing.

(3) Mr. Liu is the spouse of Ms. Dong and he is therefore deemed to be interested in the Shares held by Ms. Dong upon the Listing.

(4) Shuren Education is 100% owned by Ms. Dong and she is therefore deemed to be interested in all the Shares held by Shuren Education upon the Listing.

(5) Ms. Dong is the spouse of Mr. Liu and she is therefore deemed to be interested in the Shares held by Mr. Liu upon the Listing.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The authorized and issued share capital of our Company is as follows:

Authorized Share Capital:	**US$**
1,000,000,000 Shares	10,000,000

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:		*US$*	**Approximate percentage of issued share capital** *(%)*
250	Shares in issue as of the date of this prospectus	2.5	0.0
499,999,750	Shares to be issued under the Capitalization Issue	4,999,997.5	75.0
166,667,000	Shares to be issued under the Global Offering	1,666,670.0	25.0
666,667,000	Shares in total	6,666,670.0	100.00

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued Share Capital:		*US$*	Approximate percentage of issued share capital *(%)*
250	Shares in issue as of the date of this prospectus	2.5	0.0
499,999,750	Shares to be issued under the Capitalization Issue	4,999,997.5	75.0
166,667,000	Shares to be issued under the Global Offering	1,666,670.0	25.0
666,667,000	Shares in total	6,666,670.0	100.00

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) No Shares will be issued by our Company upon exercise of the Over-allotment Option in part or in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see paragraph "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of Capital" in this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on July 22, 2020. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V – Statutory and General Information – F. Share Option Scheme" in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate number of not more than the sum of:

(i) 20% of the total amount of Shares of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be sold pursuant to the Over-allotment Option); and

(ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed "Appendix V – Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on July 22, 2020" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the number of the Shares of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be sold upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix V – Statutory and General Information – A. Further information about our Company – 5. Repurchase of our Shares" in this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see the paragraph headed "Appendix V – Statutory and General Information – A. Further Information about Our Company – 4. Written resolutions of the then shareholder of our Company passed on July 22, 2020" in this prospectus.

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this prospectus which has been prepared in accordance with IFRSs, and the selected historical financial information and operating data included elsewhere in this prospectus.

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", "Business" and elsewhere in this prospectus.

OVERVIEW

We are a large private formal higher education service provider in Heilongjiang Province, the PRC. As measured by full-time student enrollment in the 2018/2019 school year, we ranked eighth among all private formal higher education service providers in Heilongjiang Province, according to the Frost & Sullivan Report. During the Track Record Period and as of the Latest Practicable Date, we operated Heilongjiang College, which is a degree-granting formal university-level education institution established in 2002 in Harbin City, Heilongjiang Province, that primarily offers undergraduate programs. We control our school through the Structured Contracts. For the 2019/2020 school year, we had a total of 8,818 students enrolled at our school. In addition, as of February 29, 2020 and the Latest Practicable Date, we had a total of 8,807 and 6,739[(1)] students enrolled at our school, respectively, and employed 450 and 465 teachers, respectively.

We derive revenue mainly from tuition fees and boarding fees paid by the students of our school. We generally require tuition fees and boarding fees received from our students in advance prior to the beginning of each school year in September, which are initially recorded as contract liabilities. We typically recognize revenue on a straight-line basis over nine months in the school year with respect to tuition fees, and 12 months for non-graduating students and 10 months for graduating students with respect to boarding fees.

Note:

(1) The student enrollment figure of our school as of the Latest Practicable Date takes into consideration (i) 2,067 fourth-year students who graduated from our school in early July 2020; (ii) seven students who either withdrew from our school or temporarily suspended their study in the spring semester of 2019/2020 school year; and (iii) six students who resumed their enrollment at our school in the same semester.

We experienced steady growth in our revenue and net profit during the Track Record Period. Our revenue from continuing operations increased from approximately RMB107.7 million for the year ended August 31, 2017 to RMB117.5 million for the year ended August 31, 2018 and further to RMB138.2 million for the year ended August 31, 2019, representing a CAGR of approximately 13.3% during this period. Our revenue from continuing operation increased from RMB76.8 million for the six months ended February 28, 2019 to RMB89.1 million for the six months ended February 29, 2020, representing a CAGR of approximately 16.1%. Our net profit from continuing operations was approximately RMB48.7 million, RMB57.2 million and RMB70.4 million for the years ended August 31, 2017, 2018 and 2019, respectively. Our net profit from continuing operation amounted to RMB41.9 million and RMB30.5 million for the six months ended February 28, 2019 and February 29, 2020, respectively. We recorded losses from a discontinued operation of approximately RMB1.6 million, RMB0.9 million, RMB0.1 million, RMB0.5 million and RMB1.5 million for the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, respectively.

BASIS OF PRESENTATION

Pursuant to the Corporate Reorganization, our Company became the holding company of the companies now comprising our Group on February 6, 2020.

As the Corporate Reorganization only involved inserting new holding companies and has not resulted in any change of economic substance, the historical financial information for the Track Record Period has been presented as a continuation of the existing companies using the pooling of interest method as if the group structure had been in place at the beginning of the Track Record Period.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the private higher education industry in the PRC, our business was carried out by the PRC Consolidated Affiliated Entities. Pursuant to the Corporate Reorganization, the WFOE has entered into Structured Contracts with, among others, PRC Consolidated Affiliated Entities and their respective equity holders. The arrangements of the Structured Contracts enable the WFOE to exercise effective control over the PRC Consolidated Affiliated Entities and obtain substantially all economic benefits of the PRC Consolidated Affiliated Entities. Accordingly, the PRC Consolidated Affiliated Entities are controlled by our Company based on the Structured Contracts though our Company does not have any direct or indirect equity interest in the PRC Consolidated Affiliated Entities. Details of the Structured Contracts are disclosed in the section headed “Structured Contracts” in this prospectus.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of all entities now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as of

August 31, 2017, 2018 and 2019 and February 29, 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Corporate Reorganization.

The historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS effective for the accounting period commencing from January 1, 2019, including IFRS 9 "Financial Instruments" ("IFRS 9"), IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers" and IFRS 16 Leases, together with the relevant transitional provisions, have been consistently applied by our Group in the preparation of the Historical Financial Information throughout the Track Record Period.

Application of IFRS 16

Our Group has adopted IFRS 16 on a consistent basis throughout the Track Record Period as stated in note 2.2 to the Accountants' Report of our Group in Appendix I to this prospectus. As such, the right-of-use assets is recognized in our Group's consolidated statement of financial positions as at August 31, 2017, 2018 and 2019 and February 29, 2020. As at August 31, 2017, 2018 and 2019 and February 29, 2020, we recorded right-of-use assets (prepaid land lease payments) of approximately RMB17.4 million, RMB16.9 million, RMB16.5 million and RMB16.2 million, respectively, and lease liabilities of approximately nil, nil, nil and nil, respectively. Our Directors considered that the adoption of IFRS 16 had no significant impact on our Group's financial ratios, including gearing ratio, current ratio and quick ratio, nor on our Group's financial position, including net assets, and performance, such as net profit, as compared to that of IAS 17.

Applications of IFRS 15 and IFRS 9

Our Group has also adopted IFRS 15 and IFRS 9 on a consistent basis throughout the Track Record Period as stated in note 2.2 to the Accountants' Report of our Group in Appendix I to this prospectus. The adoption of IFRS 15 and IFRS 9 had no significant impact on our Group's financial position and performance as compared to that of IAS 18 and IAS 39.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Demand for Private Higher Education in China and Heilongjiang Province

The demand for private formal higher education in China is a function of a number of factors, including, among other things, the levels of economic development and changes in the population demographics. Our business has historically benefited from the growth of China's economy and the increasing demand for private higher education in China. According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past five years, its per capita nominal GDP has also increased at a fast pace. Per capita nominal GDP in China grew from RMB47,005 in 2014 to RMB64,644 in 2018, representing a CAGR of approximately 8.3%, and is expected to reach RMB94,532 in 2023. Accompanied by such growth, per capita disposable income of households in China increased from RMB20,200 in 2014 to RMB28,200 in 2018, representing a CAGR of approximately 8.7%, and is expected to increase to RMB39,900 in 2023. Meanwhile, per capita annual expenditure on education in China also increased from RMB624 in 2014 to RMB899 in 2018, representing a CAGR of approximately 9.4% and is expected to reach RMB1,363 in 2023. The overall economic growth and the increase in per capita annual expenditure on education in China will likely have a positive effect on the demand for private higher education in the country. With respect to the changes in population demographics, according to the Frost & Sullivan Report, while the total population of China has been growing steadily from 1,367.8 million in 2014 to 1,395.4 million in 2018, and is expected to continue to grow to 1,435.0 million in 2023, the total higher education age population (aged 18 to 22) decreased from 96.9 million in 2014 to 77.0 million in 2018, representing a CAGR of approximately -5.6%, and is expected to continue to decrease to 71.0 million in 2023 as a result of the implementation of the "One-child Policy" for the past four decades. However, since 2013, the PRC government has continued to loosen such policy, which currently allows all families to have two children. The birth policy will be adjusted and improved gradually to promote the long-term balanced development of the population in China, which we anticipate will eventually reverse the declining trend of higher education age population in recent years. Accordingly, the decrease in total higher education age population is expected to slow down with an estimated CAGR of approximately -1.6% from 2018 to 2023, according to the Frost & Sullivan Report.

In addition, our business is affected by the economic development in Heilongjiang Province. According to the Frost & Sullivan Report, per capita nominal GDP in Heilongjiang Province increased from RMB39,226 in 2014 to RMB43,274 in 2018, representing a CAGR of approximately 2.5%, and expected to increase at a CAGR of approximately 2.4% to reach RMB48,722 in 2023. In addition, per capita disposable income of Heilongjiang Province increased from approximately RMB17,400 in 2014 to approximately RMB22,700 in 2018, representing a CAGR of approximately 8.7%. It is expected to reach approximately RMB31,600 in 2023 considering positive economic prospects for the next five years. Accordingly, the total revenue of private higher education industry in Heilongjiang Province increased from RMB1.6 billion in 2014 to RMB2.0 billion in 2018, representing a CAGR of approximately 5.7%, mainly driven by the rising tuition fees, and is expected to increase to RMB3.0 billion in 2023, representing a CAGR of approximately 8.4% from 2018 to 2023. According to the Frost & Sullivan Report, urbanization rate in Heilongjiang Province has increased from approximately 58.0% in 2014 to approximately 60.1% in 2018. This means people in Heilongjiang Province are more likely to increase education-related expenditure because urban households tend to pay more attention to their children's education and academic excellence. With the growing private higher education industry and urbanization in Heilongjiang Province, we expect the demand for private higher education in Heilongjiang Province will maintain a steady and healthy growth.

Student Enrollment Levels

Our revenue from continuing operations depends, in part, on the number of students enrolled at our school, as we charge tuition fees and boarding fees by person. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, we had a total of 7,550, 7,800, 8,256 and 8,818 full-time students enrolled in our school, respectively, representing a CAGR of approximately 5.3% for the period.

Our student admission levels largely depend on a number of factors, including, but not limited to, (i) our school's reputation, which is mainly driven by the quality of education we provide; (ii) our admission quota as approved by the relevant government authorities from year to year, subject to adjustments by the relevant government authorities on an annual basis; and (iii) the capacity for student enrollment at our school. We believe that the educational philosophies of our school, our well-developed curriculums and training programs, and relatively high initial employment rate of our graduates and average overall yield during the Track Record Period helped and will continue to help us attract students who seek high-quality private education as a pathway to satisfactory employment. Moreover, the quality of our teachers is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of our school. Accordingly, we apply stringent teacher selection criteria and maintain training programs for both our newly hired and experienced teachers, as well as regular and on-going teacher evaluation processes to assess and improve their performance.

Tuition Fees and Boarding Fees

Our results of continuing operations are also affected by the level of tuition fees and boarding fees we are able to charge. We usually require students to pay tuition fees and boarding fees at or prior to the beginning of each new school year in September. The tuition fees we charge are typically determined based on the demand for our educational programs, the cost of our operations, the geographic markets where we operate our school, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our school campuses are located. We consider similar factors when determining the boarding fees we charge our students. As of the Latest Practicable Date, our school had the discretion to adjust tuition fee and boarding fee rates which are not subject to prior approval from the relevant government authorities. We usually raise tuition fee rates and boarding fee rates as appropriate and necessary to reflect increased operating costs and adjustments in our major and curriculum offerings. During the Track Record Period, we have raised tuition fees for all majors in the 2016/2017, 2017/2018 and 2018/2019 school years. In addition, we increased the boarding fee rates in the 2017/2018 and 2018/2019 school years given the increasing costs in our school operations. If we raise tuition fees and boarding fees, the new tuition fee and boarding fee rates will generally be applicable to newly admitted students, and the tuition fee and boarding fee rates for the existing students remain unchanged. While we have successfully increased tuition fee rates and boarding fee rates at our school during the Track Record Period, there is no guarantee we will be able to continue to raise these rates in the future. See "Risk Factors – Risks Relating to Our Business and Our Industry – Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fees" in this prospectus. For those students who withdraw from our school, we also have refund policies in place. See "Business – Our School – Student Withdrawals and Refund" in this prospectus for further details.

During the Track Record Period, our tuition fee rates for all majors of the bachelor's degree programs ranged between RMB14,000 to RMB15,500, RMB15,000 to RMB16,000, RMB19,000 to RMB20,000 and RMB19,000 to RMB20,000 per student per year in the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, respectively. According to the Frost & Sullivan Report, tuition fee rates at our school are relatively higher than the average annual tuition fees of private higher education institutions in Heilongjiang Province. However, we believe our tuition fee rates are comparable to those charged by some of our competitors in the private formal higher education industry that have similar scale and offer similar programs. Historically, we have kept our tuition fee rates at levels we believe are competitive as compared to our competitors in order to attract more students and increase our student enrollment and market share.

Ability to Control Cost of Sales and Expenses

Our profitability also depends, in part, on our ability to control our cost of sales and operating expenses. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, our cost of sales accounted for approximately 48.6%, 44.0%, 42.7%, 39.9% and 44.5% of our total revenue, respectively. Our cost of sales primarily consists of salaries and benefits for our school personnel, depreciation and amortization expenses, central heating costs, co-operation cost, utilities, property management cost, maintenance costs, educational supplies, travel expenses, office allowance, student activity costs and training expenses. The salaries and benefits of our school personnel constituted approximately 37.7%, 43.6%, 45.0%, 44.3% and 43.2% of our total cost of sales from continuing operations for the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, respectively.

Our operating expenses primarily consist of administrative expenses and selling expenses. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, the total amount of administrative expenses and selling expenses as a percentage of our total revenue was approximately 6.9%, 8.8%, 7.3%, 6.2% and 21.3%, respectively. Our operating expenses remained relatively stable from 2017 to 2019, we cannot guarantee they will not increase in the future as we expand our business operations and become a public company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain.

Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgments and estimates, and other significant accounting policies, judgments and estimates we applied in preparing our financial information, see notes 2 and 3 of the Accountants' Report of our Group in Appendix I to this prospectus.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those services. Specifically, we use a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when the "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the services. Our Group recognizes revenue when the specific criteria have been met for the following activities:

Tuition fees and boarding fees received from students are generally paid in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. Tuition fees and boarding fees are recognized proportionately over the periods of the applicable program. The portion of tuition and boarding fee payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that our Group expects to earn within one year. A school year is generally from September of the current year to August of the following year. We typically recognize revenue on a straight-line basis over nine months in the school year with respect to tuition fees (excluding February for winter holiday and July and August for summer holiday), and 12 months for non-graduating students and 10 months for graduating students with respect to boarding fees.

We do not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, we do not adjust any of the transaction prices for the time value of money.

Other Income

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred. Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before our Group transfers the related goods or services. Contract liabilities are recognized as revenue when our Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5 "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.90%-3.17%
Devices and equipment	11.88%
Motor vehicles	9.50%
Furniture, fixtures and others	9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as of each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as of the end of each year of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed as of the end of each year during the Track Record 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 deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed as of the end of each year during the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year during the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if our Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

RESULTS OF OPERATIONS

The table below sets forth a summary of our consolidated statement of profit or loss and other comprehensive income for the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Continuing operations					
Revenue	107,697	117,494	138,212	76,782	89,146
Cost of sales	(52,365)	(51,701)	(59,007)	(30,627)	(39,661)
Gross profit	55,332	65,793	79,205	46,155	49,485
Other income and gains	782	1,723	1,222	519	642
Selling expenses	(501)	(801)	(814)	(295)	(553)
Administrative expenses	(6,897)	(9,561)	(9,256)	(4,493)	(18,434)
Finance costs	–	–	–	–	–
Other expenses, net	–	–	–	–	(630)
Profit before income tax from continuing operations	48,716	57,154	70,357	41,886	30,510
Income tax expense	–	–	–	–	–
Profit for the year/period from continuing operations	48,716	57,154	70,357	41,886	30,510
Discontinued operation					
Loss for the year/period from a discontinued operation	(1,560)	(875)	(146)	(487)	(1,477)
Profit and total comprehensive income for the year/period	47,156	56,279	70,211	41,399	29,033

MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Continuing Operations

Revenue

Revenue represents the value of services rendered, after deducting scholarships and refunds during the Track Record Period. We derive revenue primarily from the tuition fees and boarding fees that our school collects from the students. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, we generated total revenue of approximately RMB107.7 million, RMB117.5 million, RMB138.2 million, RMB76.8 million and RMB89.1 million, respectively.

The table below summarizes the amount and percentage of revenue we generated from tuition fees and boarding fees for the periods indicated:

	For the Year Ended August 31,						For the Six Months Ended February 28,		For the Six Months Ended February 29,	
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Tuition fees	99,239	92.1	108,197	92.1	127,899	92.5	71,401	93.0	82,787	92.9
Boarding fees	8,458	7.9	9,297	7.9	10,313	7.5	5,381	7.0	6,359	7.1
Total	107,697	100.0	117,494	100.0	138,212	100.0	76,782	100.0	89,146	100.0

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. Students' tuition fees are paid in advance prior to the start of each school year and we recognize revenue proportionately over nine months of a school year. With respect to boarding fees, we also require our students to pay in advance before the beginning of each school year and recognize revenue proportionately over 12 months for non-graduating students and 10 months for graduating students.

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, we generated tuition fees of approximately RMB99.2 million, RMB108.2 million, RMB127.9 million, RMB71.4 million and RMB82.8 million, respectively, from the bachelor's degree programs of our school. The increase was mainly attributable to the increase in the number of student enrollments and the increase of the tuition fees. Our average tuition fee per student per school year has increased from approximately RMB13,144 for the school year of 2016/2017 to RMB13,871 for the school year of 2017/2018, and to RMB15,492 for the school year of 2018/2019, primarily because we raised tuition fees for all majors during the Track Record Period to reflect increased operating costs and adjustments in our major and curriculum offerings. These tuition fee increases generally applied to the students who were newly admitted after the increase took effect, while other students were not affected by the fee increases and continued to pay the tuition fees at pre-existing rates.

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, we generated boarding fees of approximately RMB8.5 million, RMB9.3 million, RMB10.3 million, RMB5.4 million and RMB6.4 million, respectively, from the undergraduate programs of our school. Our boarding fees recorded steady growth primarily due to the increase in the number of student enrollments each year and the upward price adjustment for four-person and six-person dormitory rooms in the 2018/2019 school year.

Cost of Sales

Our cost of sales primarily consists of (i) salaries and benefits, which primarily represent the basic salaries, social security contributions, bonuses and benefits for our teaching staff; (ii) depreciation and amortization, which relate to the depreciation and amortization of buildings, teaching equipment and facilities, right-of-use assets and other intangible asset, which are used for providing educational services; (iii) central heating costs; (iv) co-operation costs, which represent the management fee we paid to NAU as our predecessor was a school that formerly operated under the name of NAU prior to its transformation to become Heilongjiang College of Business and Technology; (v) utilities expenses; (vi) property management fees, which primarily consist of the fees we paid to an Independent Third Party for providing services, including property management, cleaning, greenery maintenance, and garbage disposal; (vii) maintenance costs, which primarily consist of maintenance and repair costs for the school buildings, student dormitories and teaching equipment; (viii) educational supplies, which primarily consist of classroom and laboratory consumables; (ix) travel expenses, which primarily consist of expenses in relation to the transportation for teaching staff's commute, expenses for business trips and other uses of vehicles in the daily operation of our school; (x) office allowance; (xi) student activity costs; (xii) training expenses for our teaching staff; and (xiii) others, which primarily consist of labor union allowances.

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, our cost of sales was approximately RMB52.4 million, RMB51.7 million, RMB59.0 million, RMB30.6 million and RMB39.7 million, respectively. During the same periods, salaries and benefits were RMB19.7 million, RMB22.6 million, RMB26.6 million, RMB13.6 million and RMB17.1 million, respectively, representing approximately 37.7%, 43.6%, 45.0%, 44.3% and 43.2% of our total cost of sales, respectively.

The following table sets forth the components of our cost of sales for the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and benefits	19,728	22,567	26,553	13,577	17,129
Depreciation and amortization	17,271	16,583	16,795	9,090	11,871
Central heating costs	5,723	5,723	4,658	3,105	3,506
Co-operation costs	3,121	–	–	–	–
Utilities expenses	1,697	1,584	1,750	644	675
Property management fee	1,224	1,305	1,531	675	673
Maintenance costs	1,127	1,085	2,005	762	1,399
Educational supplies	774	823	1,176	755	1,716
Travel expenses	513	708	1,152	434	500
Office allowance	385	494	419	263	224
Student activity costs	197	196	271	86	92
Training expenses	–	–	2,080	693	1,453
Others	605	633	617	543	423
Total	52,365	51,701	59,007	30,627	39,661

Gross Profit and Gross Profit Margin

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, our gross profit were approximately RMB55.3 million, RMB65.8 million, RMB79.2 million, RMB46.2 million and RMB49.5 million, respectively, while the gross profit margin for the same period was approximately 51.4%, 56.0%, 57.3%, 60.1% and 55.5%, respectively. Our gross profit and gross profit margin maintained robust growth from 2017 to 2019 mainly as a result of the increase of revenue brought by more student enrollments and higher tuition fee rates that we were able to charge and our ability to control the cost of sales which remained relatively stable during the Track Record Period. Our gross profit margin decreased for the six months ended February 29, 2020 compared to the same period in 2019 mainly due to the increases in our operating costs, depreciation and amortization relating to Hanan Campus and staff costs.

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of salaries and benefits paid to our school personnel during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and salaries and benefits paid to our school personnel is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the

Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below demonstrates the potential impact on our profit for the year from continuing operations with a 5% and 10% increase or decrease in tuition fees income and salaries and benefits paid to our school personnel. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and salaries and benefits paid to our school personnel, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and salaries and benefits paid to our school personnel presents a meaningful analysis of the potential impact of changes in the tuition fees and salaries and benefits paid to our school personnel on our revenue and profitability.

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Changes in tuition fees					
(10)%	(9,924)	(10,820)	(12,790)	(7,140)	(8,279)
(5)%	(4,962)	(5,410)	(6,395)	(3,570)	(4,139)
5%	4,962	5,410	6,395	3,570	4,139
10%	9,924	10,820	12,790	7,140	8,279
Changes in salaries and benefits					
(10)%	1,973	2,257	2,655	1,358	1,713
(5)%	986	1,128	1,328	679	856
5%	(986)	(1,128)	(1,328)	(679)	(856)
10%	(1,973)	(2,257)	(2,655)	(1,358)	(1,713)

Other Income and Gains

Other income and gains consist primarily of (i) bank interest income; (ii) rental income; (iii) government grants; and (iv) others. Bank interest income consists of interest earned on our bank deposits. Rental income primarily consists of the rent we collect for the stores, premises and other facilities on the campuses of our school and the equipment that we rent out to Independent Third Parties. Government grants primarily consist of the grants from the social security authority determined with reference to the amount of unemployment insurance we paid to such authority. The amounts and timing of our government grants are determined solely at the discretion of the relevant government authorities, and there is no assurance that we will continue to receive these government grants in the future. We recognize government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

The table below sets forth the components of our other income and gains for the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank interest income	102	372	473	247	140
Rental income	632	1,064	675	202	377
Government grants					
– Related to income	13	287	51	51	64
Others	35	–	23	19	61
Total	782	1,723	1,222	519	642

Selling Expenses

Selling expenses primarily consist of the costs we incurred in connection with promoting and advertising our school and related education programs. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, our selling expenses amounted to approximately RMB0.5 million, RMB0.8 million, RMB0.8 million, RMB0.3 million and RMB0.6 million, respectively.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and benefits of our administrative personnel; (ii) depreciation and amortization, which relate to the depreciation and amortization of property, land use rights and other tangible and intangible assets used for administrative purposes; (iii) consultation fee, which mainly represents the remuneration for auditors and attorney's fee; (iv) central heating costs; (v) travel expenses incurred by our administrative staff for business trips and for running errands; (vi) utilities expenses; (vii) entertainment costs, which relate to the catering and accommodation of our guests; (viii) Listing expenses; and (ix) others, which primarily consist of security fund for the disabled, salaries paid to independent contractors, bank charges and other tax expenses.

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, salaries and benefits paid to our administrative staff were approximately RMB2.9 million, RMB3.2 million, RMB3.3 million, RMB1.5 million and RMB1.6 million, respectively, representing approximately 42.3%, 33.5%, 35.2%, 34.2% and 8.6% of our total administrative expenses, respectively. The following table sets forth the components of our administrative expenses for the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and benefits	2,916	3,202	3,257	1,537	1,593
Depreciation and amortization	2,518	3,096	3,124	1,785	1,827
Consultation fee	82	85	111	93	–
Central heating costs	341	341	278	185	209
Travel expenses	182	371	662	449	813
Utilities expenses	116	107	107	52	55
Entertainment costs	61	267	164	90	133
Listing expenses	–	–	581	–	13,092
Others(1)	681	2,092	972	302	712
Total	6,897	9,561	9,256	4,493	18,434

Note:

(1) Primarily consist of security fund for the disabled, low-value consumables, bank charges, communication expenses and potential penalties. The increase in 2018 was primarily due to a provision of RMB1.2 million we made in the 2017/2018 school year for potential penalties we may be subject to for the use of a new student dormitory on Songbei Campus before such building had completed the acceptance checks by the relevant government authorities. Except for the provision for potential penalties, the increase in other expenses mainly resulted from the increase in security fund for the disabled and communication expenses due to the increase in the number of employees as a result of our business expansion.

Other Expenses, Net

Our expenses, net mainly consists of the losses from the self-operated canteens on our Hanan Campus. For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 28, 2019 and February 29, 2020, other expenses, net amounted to nil, nil, nil, nil and RMB0.6 million, respectively.

Finance Costs

Finance costs primarily consist of (i) interest on bank loans and other borrowings; and (ii) interest on sale and leaseback liabilities. All our finance costs consisting of the interest paid for bank loans, other borrowings and sale and leaseback liabilities used for the purpose of constructing our campus facilities have been capitalized and recognized as part of fixed assets. The table below sets forth the components of our finance costs for the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans and other borrowings	27,398	30,062	30,965	15,673	14,211
Interest on sale and leaseback liabilities	–	–	2,032	–	5,428
Subtotal	27,398	30,062	32,997	15,673	19,639
Less: interest capitalized	(27,398)	(30,062)	(32,997)	(15,673)	(19,639)
Total	–	–	–	–	–

Income Tax Expenses

Income tax expenses represent the tax expenses arising from the assessable profit generated by our Group in the PRC. 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 exempted from Cayman Islands income tax. Our Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes. Except for Heilongjiang College, all of our Group's subsidiaries established in the PRC are subject to enterprise income tax (the "EIT") at a rate of 25% on the taxable income. No provision for Hong Kong profits tax was made as our Group had no assessable profit subject to Hong Kong profits tax during the Track Record Period.

According to the Implementation Rules for the Law for Promoting Private Education of the PRC, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. See "Regulatory Overview – Regulations Over Tax in the PRC – Income Tax" in this prospectus for details.

In accordance with the tax compliance confirmations obtained from Harbin Songbei Taxation Bureau of State taxation Administration (國家稅務總局哈爾濱市松北稅務局), our school did not pay EIT for the revenue generated from the provision of formal educational services and has not been found to be involved in any tax evasions, surcharge for overdue tax payment and other non-compliances in relation to PRC tax. As a result, no income tax expense was recognized by our school for the revenue generated from the provision of formal educational services during the Track Record Period.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. Our Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

Corporate income tax of our Group has been provided at the applicable tax rate on the estimated taxable profits arising in the PRC during the Track Record Period. The major components of income tax expense of our Group are as follows:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax – the PRC	–	–	–	–	–
Total tax charge for the year/period from continuing operations	–	–	–	–	–
Total tax charge for the year/period from a discontinued operation:					
PRC LAT	2,060	371	531	175	4,301
	2,060	371	531	175	4,301

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in the PRC to the tax expense at the effective tax rate is as follows.

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax from continuing operations	48,716	57,154	70,357	41,886	30,510
Profit/(loss) before tax from a discontinued operation	500	(504)	385	(312)	2,824
	49,216	56,650	70,742	41,574	33,334
Tax at the statutory tax rate of 25%	12,304	14,163	17,686	10,394	8,334
Income not subject to tax	(12,544)	(14,787)	(18,108)	(10,567)	(9,016)
Expenses not deductible for tax	304	430	449	60	93
Tax losses not recognized	451	287	106	157	1,664
Provision for LAT	2,060	371	531	175	4,301
Tax effect of LAT	(515)	(93)	(133)	(44)	(1,075)
Tax charge at our Group's effective rate	2,060	371	531	175	4,301
Tax charge from continuing operations at the effective rate	–	–	–	–	–
Tax charge from a discontinued operation at the effective rate	2,060	371	531	175	4,301

Discontinued Operation

During the Track Record Period, we primarily conducted our discontinued operation through Harbin Xiangge, which mainly involved in developing and selling residential properties in Harbin City, Heilongjiang Province, the PRC.

Harbin Xiangge underwent a demerger in August 2019 as part of the Corporate Reorganization to dispose of the property development business of our Group and the demerger was completed in January 2020. As a result of the demerger, Harbin Xiangge continued to hold our school, which forms the principal business of our Group, and Yincheng Zhiye was established to hold the property development business then held by Harbin Xiangge. Immediately after the demerger, the total registered capital of Harbin Xiangge was reduced to RMB40 million, and all Harbin Xiangge's assets and liabilities, including all equity interests in Harbin Junfengda Property Development Limited (哈爾濱竣峰達房地產開發有限公司) ("Junfengda") and Harbin City Xinyuetong Micro-lending Limited (哈爾濱市鑫閱通小額貸款有限責任公司) ("Xinyuetong Micro-lending"), except for the assets and liabilities related to our school and all school sponsor's interest therein (collectively the "Disposal Group"), were disposed of and transferred to Yincheng Zhiye by way of demerger. Harbin Xiangge's assets and liabilities which were related to our school mainly consisted of a land reserved for educational purpose, operational advances to our school, equity interests in our school and interest-bearing bank and other borrowings for the campus construction of our school.

The Segregation Agreement provides that the debts and liabilities relating to the assets of our school inherited by Harbin Xiangge shall be borne by Harbin Xiangge, while the debts and liabilities relating to the Disposal Group shall be borne by Yincheng Zhiye, which amounted to approximately RMB48.7 million as of January 20, 2020 according to the audited accounts of the Disposal Group (the "Yincheng Zhiye Debts").

However, as advised by our PRC Legal Advisors, (i) Article 67 of the General Rules Governing the Civil Law of the PRC (《中華人民共和國民法總則》) ("Article 67") provides that in the event of a demerger of a legal person, the legal persons in existence after the demerger shall be liable for the debts on a joint and several basis unless otherwise agreed by the creditors thereof; (ii) according to Article 176 of the Company Law of the PRC (《中華人民共和國公司法》) ("Article 176"), the debts incurred by a company before a demerger shall be borne by the companies in existence following the demerger on a joint and several basis unless otherwise stipulated in written agreements on the payments of debts separately reached between the company and its creditors prior to the demerger; and (iii) the Provisions of the Supreme People's Court on Several Issues Concerning the Trial of Cases of Civil Disputes Related to Enterprise Restructuring (《最高人民法院關於審理與企業改制相關的民事糾紛案件若干問題的規定》) (the "Enterprise Restructuring Provisions") stipulate that on the condition that the companies in existence following a demerger have agreed on their respective liabilities towards the debts incurred before the demerger and such agreements are acknowledged and accepted by the creditors thereof, the court shall support the debt arrangement under such agreements.

In August 2019, October 2019 and May 2020, certain creditors (the "Consenting Creditors") who are entitled to an aggregate amount of approximately RMB47.0 million of the Yicheng Zhiye Debts (the "Consented Debts") have provided us confirmation letters, pursuant to which, the Consenting Creditors acknowledged and accepted the segregation of liabilities between Harbin Xiangge and Yincheng Zhiye as stipulated in the Segregation Agreement.

As advised by our PRC Legal Advisors, our Group shall be initially liable for the Yincheng Zhiye Debts on a joint and several basis under Article 67 and Article 176 if its creditors do not otherwise agree to separate debt payment arrangements. However, based on the confirmation letters provided by the Consenting Creditors, which, according to our PRC Legal Advisors, are valid, effective and binding under the laws of PRC, our Group shall not be held liable for the Consented Debts on a joint and several basis following the demerger. As to the remainder of the Yincheng Zhiye Debts totaling approximately RMB1.7 million (the "Remaining Debts") for which we had not procured confirmations from the remaining creditors (the "Remaining Creditors") to release us from the joint and several liabilities under Article 67 and Article 176, as advised by our PRC Legal Advisors, our Group shall be held liable. As of January 20, 2020, Yincheng Zhiye had unsold residential units in the amount of approximately

RMB6.5 million and land valued at approximately RMB10.0 million, which we believe would be sufficient to satisfy the Remaining Debts when they become due. Our PRC Legal Advisors have further advised us that in the event that our Group has settled payments of the Remaining Debts to the Remaining Creditors, we shall have the right to recover such amount from Yincheng Zhiye.

With respect to the debts of Junfengda and Xinyuetong Micro-lending, as advised by our PRC Legal Advisors, as Junfengda and Xinyuetong Micro-lending are separate enterprises each of which is an independent legal person prior to and after the demerger, our Group will not be liable for the debts independently assumed by Junfengda and Xinyuetong Micro-lending.

Our Directors are of the view that, after taking into consideration of the insignificant amount of such liabilities as compared to our Group's operation and the credibility and financial condition of Yincheng Zhiye, the liabilities in relation to the Yincheng Zhiye Debts will not materially and adversely affect our Group's business operations and financial condition.

As of August 31, 2019, the resolution for demerger was authorized by shareholders and the demerger had not been completed. Accordingly, the assets and liabilities of the Disposal Group were reclassified as assets of a disposal group classified as held for distribution on demerger and liabilities directly associated with the assets classified as held for distribution on demerger, respectively. The property development business undertaken by the Disposal Group was discontinued upon the authorization of the demerger.

Prior to the demerger, we conducted the property development business through Harbin Xiangge and the private higher education business through Heilongjiang College. Harbin Xiangge and Heilongjiang College are separate legal persons, which prepared management accounts based on separate books and records and duly filed applicable regulatory filings independently. During the Track Record Period, we recorded revenue from discontinued operation mainly through the sales of numerous residential units in two properties we developed. The expenses of our discontinued operation primarily consisted of the costs and expenses associated with the real estate-related business. The costs generally included, among others, construction costs, apportioned land costs and other expenses, while expenses amounting to RMB3.2 million, RMB2.2 million, RMB0.9 million and RMB0.5 million for the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, respectively, primarily consisted of selling and administrative expenses for the discontinued property development business, including salaries and benefits of property sales and administrative staff, entertainment expenses, travel expenses and other expenses.

The following table sets forth the results of operations of the discontinued operation during the periods indicated:

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	55,961	11,574	8,932	5,105	10,422
Other income and gains	27	12	9	4	6
Cost of sales	(52,069)	(10,002)	(7,422)	(4,657)	(7,039)
Expenses	(3,200)	(2,233)	(857)	(487)	(486)
Impairment losses/(write-back of impairment losses), net	(219)	145	(277)	(277)	(79)
Profit/(loss) before tax from the discontinued operation	500	(504)	385	(312)	2,824
Income tax: LAT	(2,060)	(371)	(531)	(175)	(4,301)
Loss for the year/period from the discontinued operation	(1,560)	(875)	(146)	(487)	(1,477)

The revenue from our discontinued operation decreased significantly during the Track Record Period primarily due to a decrease in the sales of available-for-sale residential units as most of the residential units were sold by 2017. The expenses of our discontinued operation also decreased substantially during the Track Record Period, which was in line with the decline in the sales of residential units during the same period as we gradually wind down such business.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended February 28, 2019 compared to Six Months Ended February 29, 2020

Revenue

Our revenue increased by RMB12.3 million, or 16.1%, from RMB76.8 million for the six months ended February 28, 2019 to RMB89.1 million for the six months ended February 29, 2020. This increase was primarily due to (i) an increase of RMB11.3 million in the revenue generated by tuition fees as a result of (a) an increase of over 570 students enrolled in our school for the 2019/2020 school year; and (b) an increase of tuition fees received as we adjusted the tuition fee rates beginning in the 2018/2019 school year and carried over to the 2019/2020 school year for the four art-related majors from RMB16,000 per school year to RMB20,000 per school year, and for the other 17 majors from RMB15,000 per school year to

RMB19,000 per school year; and (ii) an increase of RMB1.0 million in the revenue generated by boarding fees as we adjusted the boarding fee rates beginning in the 2018/2019 school year and carried over to the 2019/2020 school year from RMB1,200 per school year to RMB1,800 per school year for the four-person dormitory rooms and from RMB1,100 per school year to RMB1,600 per school year for the six-person dormitory rooms. The increases in the tuition fee rates and the boarding fee rates were applicable only to the newly admitted students of and subsequent to the 2018/2019 school year. See "Business – Our School – Tuition Fees and Boarding Fees" in this prospectus for details.

Cost of Sales

Our cost of sales increased by RMB9.1 million, or 29.5%, from RMB30.6 million for the six months ended February 28, 2019 to RMB39.7 million for the six months ended February 29, 2020. This increase was primarily due to (i) an increase of salaries and benefits of RMB3.6 million due to the increase of the number of teaching staff in the 2019/2020 school year and a general salary increase of 10% for our teaching staff; (ii) an increase of depreciation and amortization of RMB2.8 million as we began to put into use some of the completed buildings for which the construction was completed as we opened the first phase of Hanan Campus in September 2019; (iii) and increase in educational supplies of RMB1.0 million as a result of the increased number of students in the 2019/2020 school year; (iv) an increase of training expenses of RMB0.8 million as we arranged training programs for our teaching staff in the PRC in collaboration with certain business enterprises; (v) an increase of maintenance costs of RMB0.6 million as we replaced existing school furniture and painted the campus walls on our school campuses; and (vi) an increase of heating costs of RMB0.4 million due to increases in student enrollments. The increase in our cost of sales was generally in line with the expansion of our business operations.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB3.3 million, or 7.2%, from RMB46.2 million for the six months ended February 28, 2019 to RMB49.5 million for the six months ended February 29, 2020. This increase was primarily due to the increases of our student enrollments and tuition fee rates and boarding fee rates since they were implemented beginning in the 2018/2019 school year. Our gross profit margin decreased from 60.1% for the six months ended February 28, 2019 to 55.5% six months ended February 29, 2020, primarily due to (i) an increase in depreciation and amortization as we put into use some of the buildings in Hanan Campus in the beginning of the 2019/2020 school year; (ii) an increase in staff costs as we engaged additional teachers and increase the general salary of our teaching staff in line with the expansion of our business; and (iii) an increase in our school operating expenses, such as heating costs, as a result of an increase in student enrollments for the 2019/2020 school year.

Other Income and Gains

Other income and gains remained relatively stable at RMB0.6 million for the six months ended February 29, 2020 compared to RMB0.5 million for the six months ended February 28, 2019.

Selling Expenses

Selling expenses increased by RMB0.3 million from RMB0.3 million for the six months ended February 28, 2019 to RMB0.6 million for the six months ended February 29, 2020, primarily due to (i) an increase in the salary of our marketing personnel; and (ii) an increase in entertainment and other miscellaneous expenses relating to our increased marketing and promotional activities.

Administrative Expenses

Administrative expenses increased by RMB13.9 million, or 310.3%, from RMB4.5 million for the six months ended February 28, 2019 to RMB18.4 million for the six months ended February 29, 2020, primarily due to RMB13.1 million of listing expenses we incurred in the period.

Other Expenses, Net

We began operating the canteen at Hanan Campus beginning in September 2019, and we incurred losses in connection with such operation. For the six months ended February 29, 2020, other expenses, net amounted to RMB0.6 million, compared to nil for the six months ended February 28, 2019.

Finance Cost

Our finance costs were nil and nil for the six months ended February 28, 2019 and February 29, 2020 as all the interest expenses generated from bank loans and other borrowings and sale and leaseback liabilities were fully capitalized. Our interest expenses increased from RMB15.7 million for the six months ended February 28, 2019 to RMB19.6 million for the six months ended February 29, 2020, primarily due to the increase of interests arising from the finance leases we obtained in connection with the construction of continued construction of Hanan Campus.

Income Tax Expenses

For reasons explained in the section headed "– Major Components of Our Results of Operations – Income Tax", we did not incur any income tax expenses for our continuing operations during the Track Record Period.

Profit for the Period from Continuing Operations

Our profit for the period from continuing operations decreased by RMB11.4 million, or 27.2%, from RMB41.9 million for the six months ended February 28, 2019 to RMB30.5 million for the six months ended February 29, 2020, primarily due to (i) a larger increase in our costs of sales compared to the increase in our revenue for the period; and (ii) our incurrence of RMB13.1 million of listing expenses for the six months ended February 29, 2020.

Loss for the Year from a Discontinued Operation

Our loss from a discontinued operation increased from RMB0.5 million for the six months ended February 28, 2019 to RMB1.5 million for the six months ended February 29, 2020, primarily due to an increase in land value-added tax because Limin Xueyuan (利民學苑), which was a residential-commercial complex completed by us in 2011, completed its liquidation in December 2019, and we were required by the relevant PRC tax authority to pay a one-time RMB3.8 million of additional land value-added tax, partially offset by an increase in profit before tax from the discontinued operation mainly as a result of an increase in revenue from the sales of certain special units in one of the residential complexes that were substantially larger than normal residential units.

Year Ended August 31, 2019 compared to Year Ended August 31, 2018

Revenue

Our revenue increased by RMB20.7 million, or 17.6%, from RMB117.5 million for the year ended August 31, 2018 to RMB138.2 million for the year ended August 31, 2019. This increase was primarily due to (i) an increase of RMB19.7 million in the revenue generated by tuition fees as a result of (a) an increase of over 450 students enrolled in our school for the 2018/2019 school year; and (b) an increase of average tuition fees as we adjusted the tuition fee rates in the 2018/2019 school year for the four art-related majors from RMB16,000 per school year to RMB20,000 per school year, and for the other 17 majors from RMB15,000 per school year to RMB19,000 per school year; and (ii) an increase of RMB1.0 million in the revenue generated by boarding fees as we adjusted the boarding fee rates in the 2018/2019 school year from RMB1,200 per school year to RMB1,800 per school year for the four-person dormitory rooms and from RMB1,100 per school year to RMB1,600 per school year for the six-person dormitory rooms. The increases in the tuition fee rates and the boarding fee rates were applicable only to the newly admitted students of the 2018/2019 school year. See "Business – Our School – Tuition Fees and Boarding Fees" in this prospectus for details.

Cost of Sales

Our cost of sales increased by RMB7.3 million, or 14.1%, from RMB51.7 million for the year ended August 31, 2018 to RMB59.0 million for the year ended August 31, 2019, primarily due to (i) an increase of salaries and benefits of RMB4.0 million due to the increase of the number of teaching staff in the 2018/2019 school year and a general salary increase of 10% for our teaching staff; (ii) an increase of training expenses of RMB2.1 million as we arranged overseas training programs for our qualified teaching staff in the United States; and (iii) an increase of maintenance costs of RMB0.9 million as we replaced existing school furniture and painted the campus walls, partially offset by a decrease of central heating costs by RMB1.1 million as the heating fee was charged based on the amount of actual usage in the 2018/2019 school year rather than paying a fixed amount as in the previous two years. The increase in our cost of sales was generally in line with the expansion of our business operations.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB13.4 million, or 20.4%, from RMB65.8 million for the year ended August 31, 2018 to RMB79.2 million for the year ended August 31, 2019, and our gross profit margin increased from 56.0% for the year ended August 31, 2018 to 57.3% for the year ended August 31, 2019, primarily due to the increases of our student enrollments and tuition fee rates and boarding fee rates for the 2018/2019 school year, while at the same time our cost of sales increased at a relatively slower pace.

Other Income and Gains

Other income and gains decreased by RMB0.5 million, or 29.1%, from RMB1.7 million to RMB1.2 million, primarily due to (i) a decrease in rental income as one of school-enterprise collaboration partners no longer rented certain of our premises for the entrepreneur center project in 2019; and (ii) a reduction of government grants because we received less subsidies from the relevant unemployment insurance authority as of August 31, 2019, partially offset by an increase in bank interest income as a result of an increase of our bank deposit mainly resulting from an increase in our tuition fee income.

Selling Expenses

Selling expenses remained relatively stable at RMB0.8 million for the years ended August 31, 2018 and 2019.

Administrative Expenses

Administrative expenses decreased by RMB0.3 million, or 3.2%, from RMB9.6 million for the year ended August 31, 2018 to RMB9.3 million for the year ended August 31, 2019, primarily due to a decrease of RMB1.1 million in others primarily as a result of an incidental provision we made in the 2017/2018 school year for potential penalties we may be subject to for the use of a new student dormitory on Songbei Campus before such building had completed the acceptance checks by the relevant government authorities, partially offset by an increase of RMB0.6 million in listing expenses in relation to the Global Offering.

Finance Costs

Our finance costs were nil and nil for the years ended August 31, 2018 and 2019 as all the interest expenses generated from bank loans and other borrowings and sale and leaseback liabilities were fully capitalized. Our interest expenses increased from RMB30.1 million for the year ended August 31, 2018 to RMB33.0 million for the year ended August 31, 2019, primarily due to the increase of interests arising from the bank loans, other borrowings and finance leases we obtained for the construction of Hanan Campus and upgrading of Songbei Campus in the 2018/2019 school year.

Income Tax Expenses

For reasons explained in the section headed "– Major Components of Our Results of Operations – Income Tax", we did not incur any income tax expenses for our continuing operations during the Track Record Period.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by RMB13.2 million, or 23.1%, from RMB57.2 million for the year ended August 31, 2018 to RMB70.4 million for the year ended August 31, 2019.

Loss for the Year from a Discontinued Operation

Our loss from a discontinued operation for the year ended August 31, 2019 was RMB0.1 million compared to a loss of RMB0.9 million from discontinued operation for the year ended August 31, 2018. This was mainly due to a larger decrease in the costs and expenses compared to the decrease in revenue as fewer number of the remaining residential units in the two properties we developed were left to be sold in 2019.

Year Ended August 31, 2017 Compared to Year Ended August 31, 2018

Revenue

Our revenue increased by RMB9.8 million, or 9.1%, from RMB107.7 million for the year ended August 31, 2017 to RMB117.5 million for the year ended August 31, 2018. This increase was primarily due to (i) an increase of RMB9.0 million in the revenue generated by tuition fees as a result of (a) an increase of over 240 students enrolling at our school in the 2017/2018 school year; and (b) an increase in average tuition fees as we adjusted the tuition fee rates in the 2017/2018 school year for the four art-related majors from RMB15,500 per school year to RMB16,000 per school year and for the other 15 majors from RMB14,000 per school year to RMB15,000 per school year; and (ii) an increase of RMB0.8 million in the revenue generated by boarding fees primarily due to our increased student enrollments and higher rates charged for student dormitory rooms in the 2017/2018 school year. The increases of the tuition fee rates and boarding fee rates were applicable only to the newly admitted students of the 2017/2018 school year. See "Business – Our School – Tuition Fees and Boarding Fees" in this prospectus for details.

Cost of Sales

Our cost of sales decreased slightly by RMB0.7 million from RMB52.4 million for the year ended August 31, 2017 to RMB51.7 million for the year ended August 31, 2018, primarily due to (i) a decrease of RMB3.1 million in co-operation cost due to the cessation of our co-operation arrangement with NAU; (ii) a decrease of RMB0.7 million in depreciation and amortization as a portion of our teaching equipment was fully depreciated for the year ended August 31, 2018, partially offset by an increase of RMB2.8 million in salaries and benefits as a result of the increase of our number of teaching staff and a general increase of 10% in salaries for our existing teaching staff.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB10.5 million, or 18.9%, from RMB55.3 million for the year ended August 31, 2017 to RMB65.8 million for the year ended August 31, 2018, and our gross profit margin increased from 51.4% for the year ended August 31, 2017 to 56.0% for the year ended August 31, 2018, primarily due to an increase in our revenue as a result of the increases in total student enrollment and average tuition fees, and a decrease in our cost of sales as discussed above.

Other Income and Gains

Other income and gains increased by RMB0.9 million, or 120.3%, from RMB0.8 million for the year ended August 31, 2017 to RMB1.7 million for the year ended August 31, 2018, primarily due to (i) an increase of RMB0.4 million in rental income as one of our school-enterprise cooperation partners rented certain of our premises for its entrepreneur center project for the 2017/2018 school year; and (ii) an increase of government grants of RMB0.3 million because we received subsidies from the relevant government unemployment insurance authority.

Selling Expenses

Selling expenses increased from RMB0.5 million for the year ended August 31, 2017 to RMB0.8 million for the year ended August 31, 2018, mainly because we increased our promotional and advertising efforts in 2018.

Administrative Expenses

Administrative expenses increased by RMB2.7 million, or 38.6%, from RMB6.9 million for the year ended August 31, 2017 to RMB9.6 million for the year ended August 31, 2018, mainly due to (i) an increase of RMB1.4 million in others primarily in relation to an incidental provision made in the 2017/2018 school year for potential penalties we may be subject to for the use of a new student dormitory on Songbei Campus before such building had completed the acceptance checks by the relevant government authorities; (ii) an increase of RMB0.6 million in depreciation and amortization due to the increase of the assets used for administrative purposes; and (iii) an increase of RMB0.3 million in salaries and benefits due to a general salary increase of 10% for our existing administrative staff.

Finance Costs

Our finance costs were nil and nil for the years ended August 31, 2017 and 2018 as all the interest expenses generated from bank loans and other borrowings were fully capitalized. Our interest expenses increased by RMB2.7 million, or 9.7%, from RMB27.4 million for the year ended August 31, 2017 to RMB30.1 million for the year ended August 31, 2018, primarily due to an increase in the interests arising from bank loans we obtained for the construction of Hanan Campus and upgrading of Songbei Campus.

Income Tax Expenses

For reasons explained in the section headed "– Major Components of Our Results of Operations – Income Tax", we did not incur any income tax expenses for our continuing operations during the Track Record Period.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by RMB8.5 million, or 17.3%, from RMB48.7 million for the year ended August 31, 2017 to RMB57.2 million for the year ended August 31, 2018.

Loss for the Year from a Discontinued Operation

Our loss for the year from a discontinued operation remained relatively stable at RMB1.6 million and RMB0.9 million for the year ended August 31, 2017 and 2018, respectively.

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current Assets and Current Liabilities

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

	As of August 31,			As of February 29,	As of May 31,
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Current Assets					
Inventories	40,800	30,875	–	–	–
Trade receivables	3,166	510	–	–	–
Prepayments, other receivables and other assets	8,129	11,113	5,247	10,270	10,588
Restricted bank deposits	5,596	5,555	–	–	–
Cash and cash equivalents	124,009	116,841	139,932	31,124	84,870
Assets of a disposal group classified as held for distribution on demerger	–	–	46,795	–	–
Total Current Assets	181,700	164,894	191,974	41,394	95,458
Current Liabilities					
Trade payables	12,600	8,568	–	–	–
Other payables and accruals	95,672	111,602	94,103	65,704	63,440
Interest-bearing bank and other borrowings and interest accruals	27,437	38,921	63,262	94,510	195,449
Contract liabilities	107,552	96,250	129,197	73,857	17,218
Refund liabilities	–	–	–	–	4,987
Amounts due to shareholders	39,464	29,133	2,800	–	–
Amount due to a related party	35,051	37,934	3,245	–	–
Liabilities directly associated with the assets classified as held for distribution on demerger	–	–	53,088	–	–
Total Current Liabilities	317,776	322,408	345,695	234,071	281,094
Net current liabilities	(136,076)	(157,514)	(153,721)	(192,677)	(185,636)

As of August 31, 2017, we had net current liabilities of approximately RMB136.1 million, primarily due to the facts that (i) we had contract liabilities of RMB107.6 million as of the same date which were non-cash in nature; (ii) we had other payables and accruals of RMB95.7 million, primarily because (a) we recorded payables for co-operation costs to NAU of approximately RMB39.0 million; and (b) we incurred payables for purchases of property, plant and equipment of approximately RMB22.3 million mainly in relation to the construction of Hanan Campus and the upgrading of the existing school facilities to accommodate the expansion of our operation; and (c) we recorded other payables of RMB21.7 million from our discontinued operation mainly in relation to the operational advances obtained from Independent Third-Party contractors to fund the working capital of our discontinued operation; (iii) we recorded interest-bearing bank and other borrowings and interest accruals of RMB27.4 million, primarily to finance for the construction of Hanan Campus and upgrading of Songbei Campus; (iv) we had amount due to a related party of RMB35.1 million; (v) we had amount due to the shareholders of RMB39.5 million as we obtained advances from our Shareholders to primarily to ease the liquidity pressure of our continuing operations; and (vi) we had trade payables of RMB12.6 million as of August 31, 2017 in relation to the outstanding amount payable to the contractors that we engaged to construct our real estate development projects, partially offset by our current assets, which primarily comprised (i) inventories of RMB40.8 million in relation to the available-for-sale residential units of our discontinued property development business; (ii) prepayments, other receivables and other assets of RMB8.1 million, primarily consisting of the deposits paid for utilities and the advances to Independent Third Parties in connection with our discontinued operation; (iii) restricted bank deposits of RMB5.6 million, which were used as security for the mortgage facilities granted to the purchasers of our Group's completed real estate properties held for sale; and (iv) cash and cash equivalents of RMB124.0 million.

As of August 31, 2018, we had net current liabilities of approximately RMB157.5 million, primarily due to the facts that (i) we had contract liabilities of RMB96.3 million as of the same date that were non-cash in nature; (ii) we had other payables and accruals of RMB111.6 million, primarily because (a) we incurred payables for purchases of property, plant and equipment of approximately RMB57.2 million mainly in relation to the construction of Hanan Campus and the upgrading of existing school facilities to accommodate the expansion of our operation; (b) we recorded payables for co-operation costs to NAU of approximately RMB36.0 million; (c) we received miscellaneous expenses from the students in the amount of RMB8.5 million in relation to the textbook fees and other subsidies, as well as allowances that our school held on behalf of the students; and (d) we had other payables of RMB5.9 million, which primarily consisted of payables of utilities fees and the deposit we received from campus stores, among others; (iii) we recorded an increase in interest-bearing bank and other borrowings and interest accruals of RMB11.5 million as compared to the same date in 2017, primarily because we borrowed new loans from certain banks to finance the construction of Hanan Campus; (iv) we had amount due to a related party of RMB37.9 million primarily in relation to our discontinued operation, which represented the amount we obtained from such related party for the development of our real estate business; (v) we had amount due to shareholders of RMB29.1 million as we obtained such amount from our Shareholders primarily to ease the liquidity pressure of our continuing operation; and (vi) we had trade payables of

RMB8.6 million in relation to the outstanding amount payable to the contractors which we engaged to construct our real estate development projects, partially offset by our current assets, which primarily comprised (i) inventories of RMB30.9 million in relation to the available-for-sale residential units of our discontinued property development business; (ii) prepayments, other receivables and other assets of RMB11.1 million, primarily consisting of the deposits paid for utilities, the advances made to Independent Third Parties in connection with our discontinued operation, and the amount forwarded to an education development fund for the purpose of promoting education; and (iii) cash and cash equivalents of RMB116.8 million.

As of August 31, 2019, we had net current liabilities of approximately RMB153.7 million, primarily due to the facts that (i) we had contract liabilities of RMB129.2 million; (ii) we had other payables and accruals of RMB94.1 million, primarily because (a) we recorded payables for co-operation costs to NAU of approximately RMB36.0 million; (b) we incurred payables for purchases of property, plant and equipment of approximately RMB33.0 million mainly in relation to the construction of Hanan Campus and the upgrading of the existing school facilities to accommodate the expansion of our operation; (c) we received miscellaneous expenses from students in the amount of RMB13.5 million in relation to the textbook fees and other subsidies and allowances that our school held on behalf of the students; and (d) we had other payables of RMB6.2 million, which primarily consisted of payables of utilities fees, the deposit we received from campus stores, among others; and (iii) we recorded an increase in interest-bearing bank and other borrowings and interest accruals of RMB24.3 million as compared to the same date of 2018, primarily because we borrowed new loans and obtained finance leases from certain third-party money lender and finance lease companies for the renovation and upgrade of existing facilities in Songbei Campus, partially offset by our current assets, which primarily comprised (i) assets of a disposal group classified as held for distribution on demerger of RMB46.8 million which represent the group of assets from discontinued operation; (ii) prepayments, other receivables and other assets of RMB5.2 million, primarily in relation to deposits paid for utilities, staff advances and prepaid listing expenses from our continuing operations; and (iii) cash and cash equivalents of RMB139.9 million.

As of February 29, 2020, we had net current liabilities of approximately RMB192.7 million, primarily due to the fact that (i) we recorded interest-bearing bank and other borrowings of approximately RMB94.5 million primarily in relation to the bank loans we obtained from banks and finance leases we obtained from certain third-party money lender and finance lease companies for the construction of Hanan Campus and the renovation and upgrading of existing facilities in Songbei Campus; (ii) we had contract liabilities of approximately RMB73.9 million; and (iii) we had other payables and accruals of approximately RMB65.7 million primarily reflecting (a) payables for purchases of property, plant and equipment of approximately RMB18.6 million, which decreased by approximately RMB14.3 million as compared to August 31, 2019 primarily due to subsequent settlement of fees payable to the construction contractors; (b) we received miscellaneous expenses from students in the amount of RMB16.6 million in relation to the textbook fees and other subsidies and allowances that our school held on behalf of the students; (c) payables for listing expenses of approximately RMB8.3 million representing the fees payable to professional parties in relation to the Global Offering; (d) other payables of approximately RMB7.3 million in relation to the deposits received from the stores in our school campus and funds for the disabled; and (e) payables for co-operation costs to NAU of approximately RMB8.0 million, which decreased as compared to August 31, 2019 mainly due to subsequent settlement of RMB9.6 million in the second half of 2019 and the transfer of RMB18.4 million due to NAU to long-term payables pursuant to the agreement we entered into with NAU in February 2020, partially offset by our current assets, which primarily comprised (i) cash and cash equivalent of approximately RMB31.1 million representing the cash generated from our school operation and bank loans and other borrowings; and (ii) prepayments, other receivables and other assets of approximately RMB10.3 million primarily representing (a) prepaid listing fees of approximately RMB4.3 million; (b) deposit and other receivables of approximately RMB3.2 million in relation to utility fee deposit and other receivables; and (c) prepayment for training expenses of approximately RMB2.2 million in relation to the teachers' training and practical training evaluation fees payable to Independent Third Parties.

As of May 31, 2020, we had net current liabilities of approximately RMB185.6 million, primarily due to the fact that we recorded (i) interest-bearing bank and other borrowings and interest accruals of approximately RMB195.4 million mainly in connection with the (a) the drawdown of a term loan facility of US$12.0 million provided by Huatai Principal Investment Group Limited; and (b) the borrowings and sale and leaseback facilities provided by third-party money lenders and finance leasing companies obtained by our Group for the construction of Hanan Campus and the renovation and upgrading of existing facilities in Songbei Campus; (ii) other payables and accruals of approximately RMB63.4 million, which primarily included (a) payables for purchase of property, plant and equipment of approximately RMB18.6 million mainly in relation to the construction of our Hanan Campus; (b) miscellaneous expenses received from students of approximately RMB13.1 million mainly representing the textbook fees and other subsidies and allowances that our school held on behalf of the students; (c) payables for listing expenses of approximately RMB8.5 million representing the fees payable to professional parties in relation to the Global Offering; (d) other payables of approximately RMB8.4 million in relation to the deposits received from the stores in our school campus, funds for the disabled and advances received from third parties; and (e) payables for co-operation costs to NAU of approximately RMB8.0 million; (iii) contract liabilities of approximately RMB17.2 million which were not yet recognized as revenue on strait line basis; and (iv) refund liabilities of approximately RMB5.0 million in relation to the amount of boarding fees to be refunded as we rendered our education services online due to the outbreak of COVID-19, partially offset by our current assets which comprised of (i) cash and cash equivalent of approximately RMB84.9 million which increased as compared to February 29, 2020 primarily due to the drawdown of the term loan facility of US$12.0 million; and (ii) prepayments, other receivables and other assets of approximately RMB10.6 million primarily representing (a) prepaid listing fees of approximately RMB5.1 million; (b) deposit and other receivables of approximately RMB3.1 million in relation to utility fee deposit and other receivables; and (c) prepayment for training expenses of approximately RMB1.6 million in relation to the teachers' training and practical training evaluation fees payable to Independent Third Parties.

Our Directors believe that our net current liabilities position is attributable to our Group's intensive investment in the new school campus during the Track Record Period, which has increased and will further increase our school's capacity and the number of students enrolled. We intend to improve our net current liabilities and cash outflow positions by receiving cash generated from our operations and the net proceeds from the Global Offering. In addition, we intend to (i) actively seek new sources of financing from multiple financial institutions. As of the Latest Practicable Date, we were in the process of negotiating with several financial institutions to obtain new term loans with maturity period ranging from three to five years; (ii) negotiate with our current lenders to renew existing bank loans and other borrowings before they fall due or obtain new bank loans and other borrowings; (iii) negotiate with certain contractors and suppliers to extend our credit terms; and (iv) increase our revenue from tuition fees and boarding fees by raising the tuition fee and boarding fee rates and diversifying our educational programs, such as introducing the junior college to bachelor's degree transfer program for which we have received tentative approval from the MOE relating to over 200 new student admission quota, and applying for and obtaining certain additional student admission quota as approved by the MOE for the existing bachelor's program beginning in the 2020/2021 school year.

Inventories

The inventories of our Group represent the inventories of our discontinued operation, which consist of project under development and project held for sold. As of August 31, 2017, 2018 and 2019 and February 29, 2020, our inventories amounted to RMB40.8 million, RMB30.9 million, nil and nil, respectively. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Projects under development	10,000	10,000	–	–
Projects held to be sold	30,800	20,875	–	–
Total	40,800	30,875	–	–

Our inventories was nil as of February 29, 2020 as the property development business of our Group was disposed following the demerger of Harbin Xiangge in January 2020. Our inventories was nil as of August 31, 2019, mainly because we accounted for the inventories relating to our discontinued operation as assets of a disposal group held for distribution on demerger, which is further described below. Our inventories decreased from RMB40.8 million as of August 31, 2017 to RMB30.9 million as of August 31, 2018, mainly due to the sales of residential units in 2018.

Trade Receivables

Our trade receivables represent amounts payable by the customers who purchased the properties we developed, which relate to our discontinued operation. We did not record any trade receivables during the Track Record Period for our continuing operations as financially difficult students who delayed payments of tuition fees and boarding fees were generally exempted from paying once we verified their financial status. Our trade receivables as of August 31, 2017, 2018 and 2019 and February 29, 2020 were RMB3.2 million, RMB0.5 million, nil and nil, respectively. The following table sets forth the breakdown of our trade receivables as of the dates indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,521	1,030	–	–
Impairment	(355)	(520)	–	–
Total	3,166	510	–	–

Our trade receivables was nil as of February 29, 2020 as the property development business of our Group was disposed following the demerger of Harbin Xiangge in January 2020. Our trade receivables were nil as of August 31, 2019, mainly because we accounted for the trade receivables relating to our discontinued operation as assets of a disposal group held for distribution on demerger, which is further described below. Our trade receivables decreased from RMB3.2 million as of August 31, 2017 to RMB0.5 million as of August 31, 2018, primarily because we sold a large number of residential units in 2017 and there were fewer remaining residential units available for purchase by the customers in 2018.

The following table sets forth the aging analysis of our trade receivables, net of loss allowance, as of the dates indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,099	265	–	–
1 to 2 years	42	230	–	–
2 to 3 years	25	15	–	–
Total	3,166	510	–	–

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets from continuing operations mainly consist of (i) prepaid listing expenses relating to the fees for professional parties; (ii) rental receivables which represented the rental payables by Independent Third Parties who rented certain of our school premises to operate their businesses, including a mobile and telecom service provider and a supermarket operator, among others; (iii) staff advances, which represent the amounts forwarded to the employees in advance for the convenience of carrying out their business activities; (iv) deposits and other receivables primarily relating to the deposits for utilities, payments for textbooks on behalf of the students and advances to an education development fund; and (v) prepayment for training expenses representing the teachers' training and practical training evaluation fees payable by Independent Third Parties. The following table sets forth the breakdown of prepayments, other receivables and other assets from continuing operations as of the dates indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid listing expenses	–	–	1,572	4,298
Prepayment for training expenses	–	–	–	2,150
Rental receivables	345	293	255	55
Staff advances	429	578	815	585
Deposits and other receivables	1,306	5,612	2,605	3,182
	2,080	6,483	5,247	10,270

Prepayments, other receivables and other assets from continuing operations increased from RMB2.1 million as of August 31, 2017 to RMB6.5 million as of August 31, 2018, mainly due to an increase of RMB4.3 million in deposit and other receivables primarily as the result of an advance we made to an education development fund, which aims to promote and support education. Prepayments, other receivables and other assets from continuing operations decreased to RMB5.2 million as of August 31, 2019, primarily due to a decrease in deposits and other receivables of RMB3.0 million as a portion of our advance to an education development fund was returned to us and the textbook fees prepaid by us on behalf of the students were collected from students in 2019, partially offset by an increase of prepaid listing fees of RMB1.6 million and an increase in staff advances of RMB0.2 million as a result of the expansion of our operation and the construction of Hanan Campus. Our prepayments, other receivables and other assets from continuing operations increased to RMB10.3 million as of February 29, 2020, primarily due to (i) an increase in prepaid listing expenses of approximately RMB2.7 million to professional parties we engaged in relation to the Global Offering; (ii) an increase in deposits and other receivables of approximately RMB0.6 million primarily due to the increase in other receivables and miscellaneous fees in relation to the construction of Hanan Campus; and (iii) an increase of prepayment for training expenses of approximately RMB2.2 million in relation to the teachers' training and practical training evaluation fees payable by Independent Third Parties.

Our prepayments, other receivables and other assets from discontinued operation consist of deposit and other receivables relating to the deposits for utilities and the receivable for the advances we made to Independent Third Parties. The following table sets forth the breakdown of prepayments, other receivables and other assets from discontinued operation as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	6,109	4,670	–	–
Impairment allowance	(60)	(40)	–	–
Total	6,049	4,630	–	–

Our prepayment, other receivables and other assets from a discontinued operation as of February 29, 2020 was nil as the property development business of our Group was disposed following the demerger of Harbin Xiangge in January 2020. Our prepayments, other receivables and other assets from discontinued operation as of August 31, 2019 was nil, mainly because it was grouped into assets of a disposal group as held for distribution on demerger. Our prepayments, other receivables and other assets from discontinued operation decreased from RMB6.0 million as of August 31, 2017 to RMB4.6 million as of August 31, 2018 primarily due to a decrease in deposits and other receivables as we received subsequent repayments from Independent Third Parties.

Cash and Cash Equivalents and Restricted Bank Deposits

Our cash and cash equivalents consist of cash on hand and deposits we had in bank accounts. As of August 31, 2017, 2018 and 2019 and February 29, 2020, our cash and cash equivalents amounted to RMB124.0 million, RMB116.8 million, RMB139.9 million and RMB31.1 million respectively, among which, approximately RMB1.0 million, RMB1.9 million, RMB1.3 million and nil, respectively, were attributable to our discontinued operation. Our restricted bank deposits from discontinued operation amounted to RMB5.6 million, RMB5.6 million, nil and nil, respectively, as of the same dates, which represented the cash deposited at banks as security for mortgage facilities granted to the purchasers of our Group's completed real estate properties held for sale. The following table sets forth the breakdown of our cash and cash equivalents and restricted bank deposits as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	129,605	122,396	139,932	31,124
Less: restricted bank deposits from discontinued operations	5,596	5,555	–	–
Total	124,009	116,841	139,932	31,124

Assets of a Disposal Group Classified as Held for Distribution on Demerger

Assets of a disposal group classified as held for distribution on demerger represented a group of assets from our discontinued operation, consisting of (i) property, plant and equipment, (ii) inventories, (iii) trade receivables; (iv) prepayments, other receivables and other assets; (v) cash and cash equivalents; (vi) restricted bank deposits; and other non-current assets. The following table sets forth details of the assets of a disposal group classified as held for distribution on demerger as of the date indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	–	–	52	–
Inventories	–	–	23,526	–
Trade receivables	–	–	122	–
Prepayments, other receivables and other assets	–	–	6,363	–
Cash and cash equivalents	–	–	1,302	–
Restricted bank deposits	–	–	5,430	–
Other non-current assets	–	–	10,000	–
Assets of a disposal group classified as held for distribution on demerger	–	–	46,795	–

The demerger was completed in January 2020.

Trade Payables

Our trade payables represent the outstanding amount payable to the contractors that we engaged to construct our real estate development projects, which were related to our discontinued operation. We had trade payables of RMB12.6 million, RMB8.6 million, nil and nil as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively.

The following table sets forth the aging analysis of trade payables as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2 to 3 years	460	–	–	–
Over 3 years	12,140	8,568	–	–
Total	12,600	8,568	–	–

Our trade payables were nil as of February 29, 2020 as the property development business of our Group was disposed following the demerger of Harbin Xiangge in January 2020. Our trade payables were nil as of August 31, 2019 mainly because we accounted for the trade payables relating to our discontinued operation as liabilities directly associated with the assets classified as held for distribution on demerger. Our trade payables decreased from RMB12.6 million as of August 31, 2017 to RMB8.6 million as of August 31, 2018, primarily due to a decrease of RMB3.6 million in trade payables aged over three years because we did not construct and develop new residential properties in 2017 and 2018 and, as we continued to make payments to our property development contractors, trade payables aged over three years had decreased.

Other Payables and Accruals

Our other payables and accruals from continuing operations primarily consist of (i) payables for purchase of property, plant and equipment, which relate to the construction of our Hanan Campus and the upgrading of our existing school facilities to accommodate the expansion of our business; (ii) payables for co-operation costs, which represent the management fees payable to NAU; (iii) miscellaneous expenses received from students, which primarily includes textbook fees and other subsidies and allowances that our school held on behalf of the students; (iv) payables for salaries and welfare benefits to our employees; (v) payables for labor union expenses; (vi) payable for central heating costs; (vii) other tax payable, which mainly represents the payables of stamp duty tax; and (viii) other payables, which mainly represent payables of utility fees, deposit received from the stores in our school campus and funds for the disabled. As of the Latest Practicable Date, the outstanding amount due to a related party was fully settled.

We recorded other payables and accruals from continuing operations of RMB74.0 million, RMB110.2 million, RMB94.1 million and RMB65.7 million as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively. The table below sets forth the details of other payables and accruals from continuing operations as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment	22,342	57,224	32,950	18,630
Payables for co-operation costs	39,022	36,022	36,022	8,000
Miscellaneous expenses received from students	5,353	8,503	13,547	16,591
Payables for salaries and welfares	2,304	2,523	2,129	4,453
Payables for labor union expenditure	1,028	1,121	1,285	1,304
Payables for central heating costs	–	–	1,940	645

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for utilities	–	–	–	441
Payables for listing expenses	–	–	–	8,295
Other tax payables	11	19	60	2
Other payables	3,925	4,813	6,170	7,343
Total	73,985	110,225	94,103	65,704

Our other payables and accruals from continuing operations increased from RMB74.0 million as of August 31, 2017 to RMB110.2 million as of August 31, 2018, primarily due to (i) an increase of RMB34.9 million in payables for purchase of property, plant and equipment in relation to the upgrading of our existing school facilities and the construction of Hanan Campus; (ii) an increase in miscellaneous expenses received from students as a result of the increase in student enrollments; and (iii) an increase in other payables primarily due to the increase of the number of our school staff as a result of the expansion of our operation, which led to the increase of utilities and other expenses.

Our other payables and accruals from continuing operations decreased from RMB110.2 million as of August 31, 2018 to RMB94.1 million as of August 31, 2019, primarily due to a decrease of RMB24.3 million in payables for purchase of property, plant and equipment as we made payment arrangements with our construction contractors, which allowed us to settle our payments over one year, as a result of which, such amounts were reclassified as long-term payables, partially offset by (i) an increase of RMB5.0 million in miscellaneous expenses received from students and other payables, which were in line with the expansion of our operation and the increase in student enrollments; and (ii) an increase of RMB1.9 million in payables for central heating costs as a result of our delay in the payments to a third-party heating service provider.

Our other payables and accruals from continuing operations decreased from RMB94.1 million as of August 31, 2019 to RMB65.7 million as of February 29, 2020, primarily due to (i) a decrease in payables for the purchases of property, plant and equipment of approximately RMB14.3 million due to payments to construction contractors; and (ii) a decrease in payables for co-operation costs of approximately RMB28.0 million due to payment of RMB9.6 million to NAU in the second half of 2019 and transferring of RMB18.4 million to long-term payables pursuant to the agreement we entered into with NAU in February 2020, partially offset by (i) an increase in payables for listing expenses of approximately RMB8.3 million in connection with the Global Offering; (ii) an increase in miscellaneous expenses received from students of approximately RMB3.0 million due to the increase in the number of students; and (iii) an increase in other payables of approximately RMB1.2 million due to the increase of funds for the disabled and the increase in school cafeteria supply purchases and other miscellaneous fees in relation to the expansion of our operation and the utilization of Hanan Campus.

Our other payables and accruals from discontinued operation primarily consist of other tax payables which represented the VAT payables of our real estate development business and other payables which represented the operational advances obtained from Independent Third-Party contractors to fund the working capital of our discontinued operation, which amounted to RMB21.7 million, RMB1.4 million, nil and nil, respectively as of August 31, 2017, 2018 and 2019 and February 29, 2020. Our other payables and accruals from discontinued operation decreased as of August 31, 2018 compared to August 31, 2017, primarily due to our subsequent repayments of such amount of operational advances to Independent Third Parties. Our other payables and accruals from discontinued operation were nil as of August 31, 2019 mainly because we accounted for the other payables relating to our discontinued operation as liabilities directly associated with the assets classified as held for distribution on demerger, which is further described below. Our other payables and accruals from discontinued operation were nil as of February 29, 2020 as the property development business of our Group was disposed following the demerger of Harbin Xiangge in January 2020.

The table below sets forth a breakdown of other payables and accruals from discontinued operation as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other tax payables	440	275	–	–
Other payables	21,247	1,102	–	–
Total	21,687	1,377	–	–

Contract Liabilities

We recognized revenue-related contract liabilities from our continuing operations of RMB107.6 million, RMB96.3 million, RMB129.2 million and RMB73.9 million as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively, which represented the unsatisfied performance obligation as of the same dates, and was expected to be recognized within 12 months from these respective dates.

We receive tuition fees and boarding fees from students in advance prior to the beginning of each school year. Tuition fees and boarding fees are recognized proportionately over the school year of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services we have not yet rendered.

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, RMB306,840, RMB201,170, RMB388,940 and RMB232,020 of our contract liabilities were refunded, representing approximately 0.3%, 0.2%, 0.3% and 0.3% of our total revenue for the same periods. The students are entitled to the refund of tuition and boarding fee payments in relation to the proportionate services we have not yet rendered. Please refer to the section headed "Business – Our School – Student Withdrawals and Refund" for further details of our refund policy, amount refunded during the Track Record Period and the fluctuations thereof.

In line with the Notice on the Management of the School Fees During the Period of COVID-19 Prevention and Control issued by the Education Department of Heilongjiang Province, which stipulates that the boarding fees already collected from the students for the 2019/2020 school year shall be reassessed and refunded by the schools before the end of the spring semester of such school year based on the students' actual length of stay in the schools, the cost and expenses incurred for the student accommodation staff and the depreciation of assets, among other factors, we expect to refund no more than RMB5.0 million of boarding fees to our students for the 2019/2020 school year which were recognized as contract liabilities as of February 29, 2020.

The following table sets for a breakdown of our contract liabilities as of the dates indicated.

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	99,331	89,847	120,028	68,870
Boarding fees	8,221	6,403	9,169	4,987
Total	107,552	96,250	129,197	73,857

Our contract liabilities decreased from RMB107.6 million as of August 31, 2017 to RMB96.3 million as of August 31, 2018, primarily because the 2018/2019 school year started late than usual, as a result of which, a portion of the tuition fees and boarding fees for the school year were collected after August 31, 2018 and was not recognized as contract liabilities as of the same date. We normally commence a school year during the second half of August and set two consecutive dates as enrollment dates for incoming first-year students to complete their registration and for our school to process their payments of tuition and boarding fees. The 2018/2019 school year commenced later than usual mainly because we voluntarily postponed the enrollment dates to August 31 and September 1, 2018 in order to avoid traffic congestion and facilitate the registration of first-year students as our Songbei Campus is situated in an area of Harbin City where several other higher education institutions are located, and the traffic in front of our school campus was congested during new school year registration because most of these schools had coincidentally decided to have concurrent first-year student enrollment dates for such school year. Therefore, approximately RMB34.0 million of the tuition and boarding fees were paid by our first-year students after August 31, 2018, which resulted in the significant decrease of our contract liabilities as of August 31, 2018 compared to August 31, 2017.

Our contract liabilities increased to RMB129.2 million as of August 31, 2019, primarily due to the increases in the number of student enrollments and average tuition fees and boarding fees.

Our contract liability decreased to RMB73.9 million as of February 29, 2020 since the contract liabilities was proportionately recognized as revenue when services were rendered to our students during the school year.

We set out below a reconciliation of our Group's contract liabilities as of each financial year/period end to the revenue recognized as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	104,999	107,552	96,250	129,197
Revenue recognized during the year/period	(107,697)	(117,494)	(138,212)	(89,146)
Cash received of tuition and boarding fees for the year/period	110,250	106,192	171,159	33,806
At the end of the year/period	107,552	96,250	129,197	73,857

As of the Latest Practicable Date, approximately RMB68.9 million, or 93.2%, of our total contract liabilities as of February 29, 2020 were subsequently amortized and the relevant services were rendered.

Amounts Due to Shareholders and a Related Party

Amount due to a related party primarily represents the amount we obtained from such related party to fund the working capital of our business operations. Amount due to a related party were RMB35.1 million, RMB37.9 million, RMB3.2 million and nil as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively. The following table sets forth a summary of our amount due to a related party as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a related party	35,051	37,934	3,245[(1)]	–
Total	35,051	37,934	3,245[(1)]	–

Note:

(1) The amount due to a related party as of August 31, 2019 was originally recorded on our consolidated statement of financial position at approximately RMB34.8 million, of which approximately RMB31.6 million was reclassified to liabilities directly associated with the assets classified as held for distribution on demerger and consequently, a net amount of RMB3.2 million in relation to our continuing operations remained as amount due to a related party.

Amount due to a related party increased from RMB35.1 million as of August 31, 2017 to RMB37.9 million as August 31, 2018, primarily due to increased amount obtained from such related party to satisfy the liquidity needs of our school operation and our discontinued real estate development business. It decreased to RMB3.2 million as of August 31, 2019 because a portion of such amount was subsequently reclassified to liabilities directly associated with the assets classified as held for distribution on demerger. Amount due to related parties was nil as of February 29, 2020, primarily because we fully settled the amounts due to such related party.

Amounts due to shareholders mainly represent the amounts of funds our Shareholders provided to our Group in connection with our continuing operation and discontinued operation. As of August 31, 2017, 2018 and 2019 and February 29, 2020, amounts due to shareholders was RMB39.5 million, RMB29.1 million, RMB2.8 million and nil, respectively. The following table sets forth a summary of our amounts due to shareholders from both our continuing operations and discontinued operation as of the dates indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations				
– Mr. Liu	20,220	15,950	2,800	–
Subtotal	20,220	15,950	2,800	–
Discontinued operation				
– Mr. Liu	12,044	13,183	–	–
– Ms. Dong	7,200	–	–	–
Subtotal	19,244	13,183	–	–
Total	39,464	29,133	2,800	–

During the Track Record Period, amounts due to shareholders from continuing operations decreased as we subsequently settled such amounts. As of February 29, 2020, the amounts due to shareholders from continuing operations were nil because we fully settled such amounts. The amounts due to shareholders from a discontinued operation decreased from RMB19.2 million as of August 31, 2017 to RMB13.2 million as of August 31, 2018 mainly due to our subsequent repayment to the Shareholders. Amounts due to shareholders from a discontinued operation was nil as of August 31, 2019 because it was reclassified as liabilities directly associated with the assets classified as held for distribution on demerger as of August 31, 2019. Amounts due to shareholders for a discontinued operation were nil as of February 29, 2020 as the property development business of our Group was disposed following the demerger of Harbin Xiangge in January 2020.

Liabilities Directly Associated With the Assets Classified as Held for Distribution on Demerger

Our liabilities directly associated with the assets classified as held for distribution on demerger from discontinued operations amounted to RMB53.1 million as of August 31, 2019, consisting of (i) trade payables; (ii) other payables and accruals; (iii) amount due to a related party; and (iv) amounts due to shareholders. The following table sets forth a breakdown of this item as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	–	7,450	–
Other payables and accruals	–	–	856	–
Amount due to a related party	–	–	31,599	–
Amounts due to shareholders	–	–	13,183	–
Liabilities directly associated with the assets classified as held for distribution on demerger	–	–	53,088	–

The demerger was completed in January 2020.

Prepayments for Non-current Assets

Our prepayments for non-current assets primarily represent the deposits paid for the purchases of fixed assets in relation to the construction-in-progress of Hanan Campus and certain equipment for teaching activities. Our prepayments for non-current assets were RMB4.5 million, RMB7.3 million, RMB23.5 million and RMB15.3 million as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively. The significant increase of our prepayments for non-current assets in 2019 was primarily due to our further investments in the construction of Hanan Campus and the upgrade of our existing school facilities and teaching equipment.

Other Non-current Assets

Our other non-current assets primarily represent the performance deposits charged to third parties who provide guarantees to secure our long-term bank loans and who provide financing to our Group through long-term sale and leaseback facilities. Our other non-current assets amounted to RMB10.0 million and RMB10.0 million as of August 31, 2017 and 2018, respectively, which were the performance deposits charged to a third-party company which provided guarantees to secure our long-term bank loans. Such amounts were subsequently reclassified as assets of a disposal group classified as held for distribution on demerger as of August 31, 2019. Our other non-current assets of RMB3.0 million and RMB4.2 million as of August 31, 2019 and February 29, 2020, respectively, mainly represent the performance deposits charged to third-party finance leasing companies who provided us long-term sale and leaseback facilities for the purpose of funding the construction of our school campus facilities.

LIQUIDITY AND CAPITAL RESOURCES

We operate in a capital-intensive industry and our primary uses of cash are to fund our working capital requirements and our purchases of property, plant and equipment, and to repay bank loans and other borrowings and the related interest expenses. During the Track Record Period and up to the Latest Practicable Date, we have funded our operations principally with cash generated from our operations, shareholder contributions and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in our student enrollments or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of August 31, 2017, 2018 and 2019 and February 29, 2020, we had cash and cash equivalents of RMB124.0 million, RMB116.8 million, RMB139.9 million and RMB31.1 million, respectively. Our cash and cash equivalents decreased as of February 29, 2020 primarily due to (i) cash outflows from operating activities of RMB7.0 million for the six months ended February 29, 2020 as a result of the negative adjustment of working capital primarily because we received most of the tuition fees and boarding fees from the students for the 2019/2020 school year by the end of August 2019, there was significantly less tuition fees and boarding fees received during the six months ended February 29, 2020, while we continued to incur operating expenses in connection with our educational activities during this period; and (ii) cash outflows from investing activities of RMB122.5 million for the period mainly associated with the payments for the construction of Hanan Campus, partially offset by cash inflows from financing activities of RMB19.3 million, mainly as a combined result of the proceeds of the finance leases we obtained from certain third-party money lenders and finance lease companies and the repayments of the bank loans and interests we made, among other things.

We combine the results of our school and our access to its cash balance or future earnings through our Structured Contracts with it. See "History and Corporate Structure" and "Structured Contracts" in this prospectus.

Cash Flow Analysis

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

	For the Year Ended August 31,			For the Six Months Ended February 28,	For the Six Months Ended February 29,
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net cash flows from operating activities before movement in working capital	68,795	76,143	89,957	51,929	46,976
Change in working capital	38,276	(24,793)	47,102	(40,663)	(49,785)
Interest received and tax paid	(1,958)	1	(58)	72	(4,161)
Net cash flows from/(used in) operating activities	105,113	51,351	137,001	11,338	(6,970)
Net cash flows used in investing activities	(53,289)	(37,893)	(131,654)	(67,623)	(122,487)
Net cash flows from/(used in) financing activities	(30,172)	(20,626)	19,046	(6,099)	19,347
Net increase/(decrease) in cash and cash equivalents	21,652	(7,168)	24,393	(62,384)	(110,110)
Cash and cash equivalents at beginning of year/period	102,357	124,009	116,841	116,841	141,234
Cash and cash equivalents at end of year/period	124,009	116,841	141,234	54,457	31,124
Cash and cash equivalents as stated in the consolidated statements of financial position	124,009	116,841	139,932	54,457	31,124
Cash and cash equivalents attributable to a discontinued operation	–	–	1,302	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows	124,009	116,841	141,234	54,457	31,124

Cash Flows from Operating Activities

Cash flows from operating activities reflects (i) profit/(loss) before tax from both continuing and discontinued operations, adjusted for non-cash and non-operating items, such as finance costs, bank interest income, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of other intangible asset and impairment of trade receivables; (ii) movements in working capital, such as increases or decreases in inventories, trade receivables, prepayments, other receivables and other assets, trade payables, other payables and accruals, contract liabilities and restricted bank deposits; and (iii) other cash items consisting of LAT paid and interest received.

Our net cash flows used in operating activities amounted to RMB7.0 million for the six months ended February 29, 2020, primarily reflecting (i) profit before tax of RMB33.3 million; (ii) positive total adjustments before movements in working capital of approximately RMB13.6 million, primarily reflecting depreciation of property, plant and equipment of RMB13.0 million; (iii) negative movements in working capital of RMB49.8 million, which was primarily due to (a) a decrease in contract liabilities of RMB55.3 million in line with the proportionate recognition of revenue as services were rendered during the school year; and (b) an increase in prepayments, other receivables and other assets of approximately RMB6.3 million, partially offset by a decrease in inventories of approximately RMB7.0 million in relation to the sales of residential units from a discontinued operation and an increase in other payables and accruals of approximately RMB5.0 million in relation to (a) listing expenses we paid to the professional parties we engaged in connection with the Global Offering; and (b) miscellaneous expenses collected from students in relation to the textbook fees and other subsidies, as well as allowances that our school held on behalf of the students, which was in line with the expansion of our operation; and (iv) LAT paid of RMB4.3 million.

We recorded cash outflows from operating activities for the six months ended February 29, 2020 primarily because we received most of the tuition fees and boarding fees from the students for the 2019/2020 school year by the end of August 2019, there was significantly less amount of tuition fees and boarding fees received during the six months ended February 29, 2020, while we continued to incur operating expenses in connection with our educational activities during this period. We had positive cash flows from operating activities for the same period in 2019 mainly because a large portion of the tuition fees and boarding fees were received by our school in September 2018 as a result of the late commencement of the 2018/2019 school year. For further details, please see "– Description of Certain Key Items from Our Consolidated Statement of Financial Position – Contract Liabilities" in this section. We believe we will be able to record positive cash flows from operating activities as we will receive tuition and boarding fees for the new school year during August and September in the normal course of our business. In addition, we intend to adopt various measures to improve our cash outflow position. For further details of these measures, please refer to "– Current Assets and Current Liabilities" in this section.

Our net cash flows from operating activities amounted to RMB137.0 million for the year ended August 31, 2019, primarily reflecting (i) profit before tax of RMB70.7 million; (ii) positive total adjustments before movements in working capital of RMB19.2 million, primarily as a result of (a) depreciation of property, plant and equipment of RMB19.0 million; (b) amortization of other intangible asset of RMB0.5 million; and (c) depreciation of right-of-use assets of RMB0.5 million; (iii) positive movements in working capital of RMB47.1 million, which was primarily due to (a) a decrease in inventories of RMB7.3 million as we sold additional residential units in connection with our discontinued operation; (b) an increase in other payables and accruals of RMB7.6 million mainly in connection with the increase of miscellaneous expenses collected from students in relation to the textbook fees and other subsidies, as well as allowances that our school held on behalf of the students, which was in line with the expansion of our operation; and (c) an increase in contract liabilities of RMB32.9 million due to an increase in student enrollments and average tuition and boarding fees for the 2019/2020 school year; and (iv) LAT paid of RMB0.5 million.

Our net cash flows from operating activities amounted to RMB51.4 million for the year ended August 31, 2018, primarily reflecting (i) profit before tax of RMB56.7 million; (ii) positive total adjustments before movements in working capital of RMB19.5 million, primarily as a result of by (a) depreciation of property, plant and equipment of RMB18.6 million; (b) amortization of other intangible asset of RMB0.6 million; and (c) depreciation of right-of-use assets of RMB0.5 million; (iii) negative adjustments in working capital of RMB24.8 million, which was primarily due to (a) a decrease of other payables and accruals of RMB19.0 million; (b) a decrease in contract liabilities of RMB11.3 million mainly because the 2018/2019 school year commenced later than usual and as a result, we collected a portion of the tuition fees and boarding fees from the students after August 31, 2018; (c) a decrease in trade payables of RMB4.0 million, primarily due to subsequent payment to the contractors which we engaged to construct our real estate development projects; and (d) an increase in prepayments, other receivables and other assets of RMB3.0 million as a result of the advance made to an education development fund, partially offset by a decrease in inventories of RMB9.9 million as we sold additional residential units in connection with our discontinued operation; and (iv) LAT paid of RMB0.4 million.

Our net cash flows from operating activities amounted to RMB105.1 million for the year ended August 31, 2017, primarily reflecting (i) profit before tax of RMB49.2 million; (ii) positive total adjustments before movements in working capital of RMB19.6 million, primarily as a result of (a) depreciation of property, plant and equipment of RMB18.2 million; (b) amortization of other intangible asset of RMB1.2 million; and (c) depreciation of right-of-use assets of RMB0.5 million; (iii) positive adjustments in working capital of RMB38.3 million, which was primarily due to (a) a decrease in inventories of RMB51.6 million as we sold a large number of residential units in connection with our discontinued operation; (b) a decrease in prepayments, other receivables and other assets of RMB11.6 million, primarily due to our receipts of certain amount of other receivables from the Independent Third-Party contractors whom we engaged to construct our real estate development projects in connection with our discontinued operation; and (c) an increase in contract liabilities of RMB2.6 million in relation to the increase of our tuition fees and boarding fees, partially offset by (a) a decrease in other payables and accruals of RMB18.8 million primarily due to subsequent repayment of the advances we received from the contractors in connection with our discontinued operation; and (b) a decrease in trade payables of RMB10.8 million due to subsequent payment to the contractors for the construction of our real estate development projects; and (iv) LAT paid of RMB2.1 million.

Cash Flows Used in Investing Activities

Investing activities consist primarily of purchases of items of property, plant and equipment and intangible assets.

Our net cash flows used in investing activities amounted to RMB122.5 million for the six months ended February 29, 2020, mainly reflecting (i) the purchases of items of property, plant and equipment of approximately RMB118.8 million due to the settlement of payments to construction contractors; and (ii) the addition to other intangible assets of RMB2.4 million in relation to the purchase of teaching and office software systems.

Our net cash flows used in investing activities amounted to RMB131.7 million for the year ended August 31, 2019, primarily reflecting (i) the purchases of items of property, plant and equipment of RMB130.6 million mainly in relation to the construction of the second phase of Hanan Campus and the upgrade of our existing school facilities and teaching equipment; and (ii) the addition to other intangible asset of RMB1.1 million in relation to the purchase of teaching and office software systems.

Our net cash flows used in investing activities amounted to RMB37.9 million for the year ended August 31, 2018, mainly reflecting (i) the purchases of items of property, plant and equipment of RMB37.7 million mainly in relation to the upgrade of our existing school facilities and teaching equipment; and (ii) the addition to other intangible asset of RMB0.2 million in relation to the purchase of teaching and office software systems.

Our net cash flows used in investing activities amounted to RMB53.3 million for the year ended August 31, 2017, primarily reflecting (i) the purchases of items of property, plant and equipment of RMB53.0 million mainly in relation to the construction of the first phase of Hanan Campus; and (ii) the addition to other intangible asset of RMB0.3 million in relation to the purchase of teaching and office software systems.

Cash Flows From/(Used in) Financing Activities

Financing activities primarily include (i) obtaining new bank loans and other borrowings; (ii) repayments of bank loans and other borrowings; (iii) interest paid; (iv) capital element of sale and leaseback liabilities; (v) payment for other non-current assets; (vi) repayment to our Controlling Shareholders; and (vii) increase/(decrease) in amount due to a related party.

Our net cash generated from financing activities amounted to RMB19.3 million for the six months ended February 29, 2020, primarily reflecting (i) the principal portion of sale and leaseback liabilities of approximately RMB88.8 million in relation to the new finance leases we obtained; and (ii) advances from a related party of RMB7.2 million, partially offsetting by (i) repayment of bank and other borrowings of RMB44.0 million; (ii) repayment to a related party of RMB15.3 million; (iii) interests paid of RMB8.4 million; and (iv) repayment of interest element of sale and leaseback liabilities of RMB4.9 million.

Our net cash generated from financing activities amounted to RMB19.0 million for the year ended August 31, 2019, primarily reflecting (i) an increase in the capital element of the sale and leaseback liabilities of RMB70.8 million in relation to the new finance leases we obtained; and (ii) an increase of RMB30.0 million in the new other borrowings we obtained, partially offset by (i) repayment of bank loans and other borrowings of RMB49.0 million; (ii) interest paid of RMB13.5 million; (iii) payment for other non-current assets of RMB3.0 million; (iv) repayment to our Controlling Shareholders of RMB13.2 million; and (v) a decrease in amount due to a related party of RMB3.1 million.

Our net cash used in financing activities amounted to RMB20.6 million for the year ended August 31, 2018, primarily reflecting (i) repayment of bank loans of RMB37.0 million; (ii) interest paid of RMB16.2 million; and (iii) repayment to our Controlling Shareholders of RMB10.3 million, partially offset by (i) the new banks loans of RMB40.0 million we obtained; and (ii) an increase in amount due to a related party of RMB2.9 million.

Our net cash used in financing activities amounted to RMB30.2 million for the year ended August 31, 2017, primarily reflecting (i) repayment of bank loans of RMB60.5 million; (ii) interest paid of RMB10.9 million; and (iii) a decrease in amount due to a related party of RMB3.8 million, partially offset by the new banks loans of RMB45.0 million we obtained.

Working Capital Sufficiency

Despite the fact that we have recorded net current liabilities positions during the Track Record Period and net cash outflow from operating activities for the six months ended February 29, 2020, our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this prospectus, based on the following considerations:

- we expect to generate cash flow from our operations with payment of tuition fees by our students in the upcoming 2020/2021 school year, which would be enhanced by (a) the introduction of the new junior college to bachelor's degree transfer program for which we have received tentative approval from the MOE to admit over 200 new students; (b) certain additional student admission quota for the existing bachelor's degree program as approved by the MOE; and (c) our plan to raise the tuition fee and boarding fee rates for students newly enrolled in the 2020/2021 school year;

- we anticipate to receive the net proceeds of the Global Offering and other funds we may raise from the capital markets from time to time subsequent to the Global Offering;

- we have been able to obtain external financings during the Track Record Period and do not foresee any impediment or obstruction to do so in the future. As of the Latest Practicable Date, we had unutilized facilities of RMB169.0 million and US$13.0 million and were also in the process of negotiating with several financial institutions to obtain new term loans with maturity period ranging from three to five years; and

- we have been accumulating net profits since the beginning of the Track Record Period.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school operation, the cost of establishing new schools and constructing new school campus, maintaining and upgrading existing school facilities, purchasing additional educational equipment for our school and hiring additional teachers and other staff. Going forward, we believe that our working capital requirements will be satisfied by cash generated from our operations, bank loans and other borrowings, the net proceeds from the Global Offering and other funds raised from the capital markets from time to time.

CAPITAL EXPENDITURES

For the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, our capital expenditure in respect of our continuing operations was approximately RMB184.7 million, RMB100.1 million, RMB238.1 million and RMB78.7 million, respectively. Our capital expenditure during the Track Record Period primarily related to our purchases of property, plant and equipment for the construction of our Hanan Campus and the upgrading of the facilities at Songbei Campus and the purchases of software systems for our operation. We expect that our capital expenditure for the next years will continue to remain at a relatively high level as we are still in the process of constructing our Hanan Campus, and we plan to finance such expenditure through cash generated from operations, bank loans and other borrowings and the net proceeds from the Global Offering.

The table below sets forth a breakdown of our capital expenditures for the periods indicated:

	As of August 31,			As of February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	184,475	99,870	236,930	76,226
Intangible assets	270	230	1,127	2,438
Total	184,745	100,100	238,057	78,664

CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

Our capital commitments primarily related to the construction of the first phase of Hanan Campus. The table below sets forth the details our capital commitments for the periods indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Buildings	801	131,903	29,027	776

During the Track Record Period, we leased certain of the buildings under operating lease arrangements. Leases for buildings were negotiated for terms of one to five years. As of the end of each year of the Track Record Period, we had total future minimum lease receivables under non-cancellable operating leases with the tenants falling due as follows:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	299	237	387	687
In the second year	68	237	385	284
In the third year	68	234	177	159
In the fourth year	65	27	150	150
In the fifth year	27	–	113	38
	527	735	1,212	1,318

INDEBTEDNESS

Borrowings

We obtain borrowings from banks and other financial institutions to finance our business operations and to fulfill working capital requirements. Our outstanding bank loans and other borrowings and interest accruals as of August 31, 2017, 2018, 2019, February 29, 2020 and May 31, 2020, being the latest practicable date for determining our indebtedness, were as follows:

	As of August 31,			As of February 29,	As of May 31,
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)
Continuing operation					
Current					
– Current portion of long-term bank loans – secured	24,173	38,921	29,375	34,232	51,210
– Sale and leaseback liabilities	–	–	18,265	49,893	49,187
– Other borrowings – unsecured	3,264	–	–	–	–
– Other borrowings – secured	–	–	15,622	10,385	95,052
Subtotal	27,437	38,921	63,262	94,510	195,449
Non-current					
– Bank loans – secured	172,000	166,000	127,000	91,000	69,950
– Other borrowings – unsecured	442,767	444,167	460,567	468,767	472,867
– Other borrowings – secured	–	10,000	25,000	15,000	15,000
– Sale and leaseback liabilities	–	–	54,542	112,242	110,903
Subtotal	614,767	620,167	667,109	687,009	668,720
Total	642,204	659,008	730,371	781,519	864,169

As of August 31, 2017, 2018 and 2019, February 29, 2020 and May 31, 2020, our total outstanding bank loans and other borrowings and interest accruals amounted to RMB642.2 million, RMB659.0 million, RMB730.4 million, RMB781.5 million and RMB864.2 million, respectively.

The current and non-current portion of our secured bank loans bore effective interest rate ranging from 5.15% to 6.65% per annum as of May 31, 2020. Our current and non-current portion of sale and lease-back liabilities bore effective interest rate ranging from 8.19% to 11.36% per annum as of May 31, 2020. The current portion of secured other borrowings bore effective interest rate ranging from 7.8% to 12.0% per annum, while the non-current portion of which bore effective interest rate of 7.8% per annum as of May 31, 2020. The non-current unsecured other borrowings bore effective interest rate of 4.0% per annum as of May 31, 2020.

In 2019, we entered into four separate sale and leaseback agreements with third-party finance leasing companies in the PRC, pursuant to which we sold certain teaching and office equipment to such finance leasing companies and leased them back for an agreed-upon period of time and at a predetermined rental price. We make monthly rental payments to such finance leasing companies during the rental period in specific amounts stipulated in with the relevant sale and leaseback arrangements. The rental costs under these sale and leaseback agreements amounted to (i) RMB43.0 million, which bears interest rate of 11.36% per annum for a period of five years; (ii) RMB30.0 million, which bears interest rate of 8.92% per annum for a period of five years; (iii) RMB40.0 million, which bears interest rate of 10.45% per annum for a period of five years; and (iv) RMB60.0 million, which bears the interest rate of 8.19% per annum for a period of three years. These sale and leaseback financings we obtained were primarily used for the payments of the construction payables for the first phase of Hanan Campus, expenses incurred for upgrading the facilities of Songbei Campus, co-operation costs to NAU, repayment of our existing indebtedness and general working capital.

Certain of our bank and other borrowings were secured by (i) certain of our Group's assets, which included our right-of-use assets in the PRC and our properties under development; (ii) certain buildings belonging to our Controlling Shareholders and certain time deposits belonging to an Independent Third Party in connection with certain bank loans we borrowed; (iii) pledge of 100% interest of Harbin Xiangge for certain bank loans we borrowed; and (iv) rights over certain amounts of the tuition fees and boarding fees of our school. For further details of these pledges, please see note 24 to the Accountants' Report in Appendix I.

On May 11, 2020, we entered into a facility agreement with Huatai Principal Investment Group Limited, an affiliate of the Sole Sponsor, in an aggregate principal amount of up to US$25.0 million. On May 13, 2020, we made the first drawdown in an amount of US$12.0 million under the Facility, which has an effective interest rate of 12% per annum (based on a term of 12 months) and a term of 12 months that can be extended by an additional 12 months if mutually agreed by the parties. If the Listing has not occurred within six months after the first drawdown, an additional interest rate of 2% per annum shall accrue. The Facility will be secured mainly by (i) first priority security over the shares of Leader BVI, Leader HK and WFOE; (ii) account management agreement over the tuition account of our school; (iii) the account of the net proceeds of the Global Offering for our Company which shall be monitored by the Lender with respect to withdrawals, which will not prevent us from using the net proceeds of the Global Offering for the purposes as set out in this prospectus; (iv) first priority security over the debt service reserve account; (v) personal guarantees provided by Mr. Liu and Ms. Dong, which will be released prior to the Listing; (vi) corporate guarantees by Leader BVI, Leader HK, WFOE, Harbin Xiangge and our school; (vii) subordination and assignment of all inter-company loans and financial indebtedness of our Group; (viii) floating charge over our assets; and (ix) upon the Listing, all of our Controlling Shareholders' direct and indirect shareholdings in our Company will be deposited in securities account in a designated financial institution and subject to a negative pledge. As of the Latest Practicable Date, we were in the process of arranging to use such borrowing mainly to repay a portion of the outstanding balance of certain bank loans, and we undertake to repay such bank loans and release the guarantees and charges provided by our Controlling Shareholders or their affiliated companies in connection with those bank loans on or before the Listing.

As of the Latest Practicable Date, we had unutilized facilities of RMB169.0 million and US$13.0 million. In anticipation of the cash flows to be generated from our operating activities at the beginning of the 2020/2021 school year in August 2020 and the net proceeds from the Global Offering, we currently do not plan to draw down the remaining US$13.0 million facility provided by Huatai Principal Investment Group Limited, and will obtain long-term external bank borrowings as one of the measures to improve our net current liabilities positions. We will utilize these available facilities as and when necessary based on the judgment of our management during the normal course of our business for the purpose of, among others, repaying the outstanding balance of bank loans and other borrowings or satisfying the general working capital requirements of our Group.

Our Directors have confirmed that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors have further confirmed that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Statement of Indebtedness

Except as disclosed above, during the Track Record Period and up to the close of business on May 31, 2020, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees. Our Directors have confirmed that there has not been any material change in our indebtedness since May 31, 2020.

CONTINGENT LIABILITIES

The table below sets forth the contingent liabilities not provided for in the financial statement of our Group as of the dates indicated:

	As of August 31,			As of February 29,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of our Group's properties	21,044	19,236	16,406	–

During the Track Record Period, our Group provided guarantees with respect to the mortgage facilities that banks granted to the purchasers of the real estate properties developed by our Group. Such guarantees allow the banks to raise claims of the outstanding mortgage principals, together with interest and other penalties that may be available against our Group in the event the purchasers of the properties default on their mortgage payments.

We did not incur any material losses during the Track Record Period in respect of the guarantees provided for the mortgage facilities granted to the purchasers of our Group's completed real estate properties held for sale. Our Directors considered that in case of default on payments, the net realizable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no provision was made in connection with these guarantees.

As of the Latest Practicable Date, save as disclosed above, we did not have any other unrecorded significant contingent liabilities, guarantees or any material litigation against us.

OFF-BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

	For the Year Ended/As of August 31,			For the Six Months Ended/As of February 29,
	2017	2018	2019	2020
Profitability ratios				
Net profit margin[(1)]	45.2%	48.6%	50.9%	34.2%
Return on assets [(2)]	3.8%	4.3%	4.8%	3.8%
Return on equity [(3)]	15.2%	15.5%	16.5%	12.1%
Liquidity ratio				
Current ratio [(4)]	0.57	0.51	0.56	0.18
Quick ratio [(5)]	0.44	0.42	0.56	0.18
Capital adequacy ratios				
Gearing ratio[(6)]	192.1%	168.7%	158.5%	157.1%
Debt to equity ratio[(7)]	155.0%	138.8%	128.1%	150.8%
Modified interest coverage ratio[(8)]	1.78	1.90	2.13	1.55

Notes:

(1) Net profit margin equals our net profit after tax divided by revenue for the year/period. Results of our discontinued operation are not included in the calculation of this ratio.

(2) Return on assets equals net profit/(annualized net profit) for the year/period divided by average total assets as of the beginning and end of the year/period.

(3) Return on equity equals net profit/(annualized net profit) for the year/period divided by average total equity amounts as of the beginning and 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) Quick ratio equals our current assets less inventories as of the end of the year/period divided by current liabilities as of the end of the year/period.

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

(7) Debt to equity ratio equals total interest-bearing bank and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(8) Modified interest coverage ratio equals profit before interest and tax for the year/period (excluding the results of our discontinued operation) divided by finance costs (assuming not capitalized) for the respective year/period.

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin increased from 45.2% for the year ended August 31, 2017 to 48.6% for the year ended August 31, 2018 mainly due to an increase in net profit as a result of a slight decrease in our cost of sales as we ceased our co-operation arrangement with NAU. It further increased to 50.9% for the year ended August 31, 2019 primarily due to the faster increase in our net profit compared to revenue. Our net profit margin decreased to 34.2% for the six months ended February 29, 2020, primarily due to a decrease in net profit as we incurred RMB13.1 million of listing expenses for the period.

Return on Assets

Our return on assets was approximately 3.8%, 4.3% and 4.8% for the years ended August 31, 2017, 2018 and 2019, respectively. Our return on assets increased during the Track Record Period mainly due to the increases of our net profit during the Track Record Period as a result of more student enrollments and increases of average tuition fees and boarding fees. Our return of assets decreased to 3.8% as of February 29, 2020 on an annualized basis, which was lower than that as of August 31, 2019, mainly due to a decrease in our net profit for the period as a result of the listing expenses we incurred.

Return on Equity

Our return on equity was approximately 15.2%, 15.5%, and 16.5% for the years ended August 31, 2017, 2018 and 2019, respectively. Such increases were in line with the increases of our net profit during the Track Record Period. Our return on equity decreased to 12.1% as of February 29, 2020 on an annualized basis, which was lower than that as of August 31, 2019, mainly due to a decrease in net profit for the period as a result of the listing expenses we incurred.

Current Ratio

Our current ratio decreased from approximately 0.57 as of August 31, 2017 to approximately 0.51 as of August 31, 2018, primarily due to (i) the decrease of our current assets as a result of a decrease in cash and cash equivalents because we delayed the collection of a portion of the tuition fees and boarding fees from the students since the 2018/2019 school year started later than usual; and (ii) the increase of our current liabilities primarily as a result of an increase in other payables and accruals and borrowings in relation to the construction of Hanan Campus and the upgrading of existing school facilities. Our current ratio increased to approximately 0.56 as of August 31, 2019, primarily due to the increase in current assets mainly as a result of the increase in cash and cash equivalents which was in line with the increase of tuition fees and boarding fees we received. Our current ratio decreased to 0.18 as of February 29, 2020, primarily because we made payments in connection with the construction of Hanan Campus and repaid certain of our short-term bank loans during the period, which resulted in lower cash and cash equivalents.

Quick Ratio

Our quick ratio was approximately 0.44, 0.42, 0.56 and 0.18 as of August 31, 2017, 2018 and 2019 and February 29, 2020, which was in line with the changes in current ratio.

Gearing Ratio

Our gearing ratio decreased from approximately 192.1% as of August 31, 2017 to 168.7% as of August 31, 2018 and further to 158.5% as of August 31, 2019, primarily due to the increase of our total equity. Our gearing ratio remained relatively stable at 157.1% as of February 29, 2020.

Debt to Equity Ratio

Our debt to equity ratio decreased from approximately 155.0% as of August 31, 2017 to 138.8% as of August 31, 2018 and further to 128.1% as of August 31, 2019, primarily due to the increase of our total equity. Our debt to equity ratio increased to 150.8% as of February 29, 2020, primarily due to an increase in interest-bearing bank and other borrowings to fund our operations and a decrease in cash and cash equivalents as we made payments in connection with the construction of Hanan Campus and repaid certain of our short-term bank loans during the period.

Modified Interest Coverage Ratio

Our modified interest coverage ratio increased from 1.78 for the year ended August 31, 2017 to 1.90 for the year ended August 31, 2018, and further to 2.13 for the year ended August 31, 2019, primarily because the increase in our profit before interest and tax from continuing operations for the relevant year was larger than the increase in our interest expenses of our bank loans and other borrowings and sale and leaseback liabilities (assuming not capitalized for the corresponding year). Our modified interest coverage ratio decreased to 1.55 for the six months ended February 29, 2020 mainly due to an increase in the interest expenses of our bank loans and other borrowings and sale and leaseback liabilities (assuming not capitalized or the corresponding period) in connection with the construction of our Hanan Campus and the upgrading of the existing school facilities in Songbei Campus and a decrease in our profit before interest and tax from continuing operations for the six months ended February 29, 2020 primarily because we incurred RMB13.1 million of listing expenses for the same period.

The following table sets forth the sensitivity analysis on interest rate fluctuations over our modified interest coverage ratio for the year/period indicated. The sensitivity analysis involving interest rate fluctuations 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 modified interest coverage ratio during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our modified interest coverage ratio, the sensitivity analysis below demonstrates the potential impact based on a 0.25% and 0.5% increase or decrease in interest rates. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the interest rates, we believe that the application of hypothetical fluctuations of 0.25% and 0.5% in the interest rates presents a meaningful analysis of the potential impact of the changes in interest rates on our modified interest coverage ratio.

	Year Ended August 31,			Six Months Ended February 29,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Changes in interest rates				
0.5%	1.60	1.73	1.93	1.41
0.25%	1.68	1.81	2.03	1.48
(0.25)%	1.88	2.00	2.25	1.64
(0.5)%	2.00	2.12	2.37	1.73

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we had certain advances to and from related parties. See "– Current Assets and Current Liabilities – Amounts due to Shareholders and a Related Party" in this section for details. As of the Latest Practicable Date, we had settled all balances with related parties. These balances were unsecured, interest-free and had no fixed term of repayment. According to our PRC Legal Advisors, these interest-free advances were not in contravention of the relevant lending provisions under the applicable PRC laws and regulations. Please see note 30 to the Accountants' Report of our Group in Appendix I to this prospectus for details of these and other related party transactions.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk in the normal course of our Group's business. Our Group's exposure to these risks and financial risk management policies and practices used by our Group to manage these risks are described below. For further details of these risks, please see note 33 to the Accountants' Report in Appendix I in this prospectus.

Interest Rate Risk

Our Group's exposure to the risk of changes in market interest rates relates primarily to our Group's bank loans and bank balances with a floating interest rate. The interest rate and terms of repayments of the loans are disclosed in note 24 to the Accountants' Report in Appendix I. Our Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for our Group's variable rate bank loans and bank balances at the end of each year of the Track Record Period and assumed that the amount outstanding at the end of each year of the Track Record Period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for the years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020 would decrease/increase by RMB784,000, RMB690,000, RMB631,000 and RMB488,000, respectively. This is mainly attributable to our Group's exposure to interest rates on its bank balances and borrowing with variable rates.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. Our Group has no concentration of credit risk from third party debtors. Our Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets and other non-current assets.

Cash and Cash Equivalents and Restricted Bank Deposits

As of August 31, 2017, 2018 and 2019 and February 29, 2020, substantially all of the bank deposits were deposited with major financial institutions established in the PRC, which management believes are of high credit quality without significant credit risk. The expected credit losses ("ECLs") were approximately zero.

Trade Receivables

All of the trade receivables have no collateral. Our Group assessed the credit quality of the counterparties by taking into account their financial positions, credit history of failure to make payments on their contractually due dates, the existence of forecast changes in market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

Our Group applies the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Financial Assets Included in Prepayments, Other Receivables and Other Assets and Other Non-current Assets

For financial assets included in prepayments, other receivables and other assets and other non-current assets, management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and by categories. Our Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Track Record Period. To assess whether there is a significant increase in credit risk, our Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information. The Directors of our Group believes that there is no material credit risk inherent in our Group's these outstanding balances.

Maximum Exposure and Year-end/Period-end Staging as of August 31, 2017, 2018 and 2019 and February 29, 2020

The table below shows the credit quality and the maximum exposure to credit risk based on our Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as of August 31, 2017, 2018 and 2019 and February 29, 2020. The amounts presented are gross carrying amounts for financial assets.

	As at August 31, 2017				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	3,521	3,521
Financial assets included in prepayments, other receivables and other assets					
– Normal**	7,760	–	–	–	7,760
Restricted bank deposits					
– Not yet past due	5,596	–	–	–	5,596
Cash and cash equivalents					
– Not yet past due	124,009	–	–	–	124,009
Other non-current assets					
– Not yet past due	10,000	–	–	–	10,000
	147,365	–	–	3,521	150,886

	As at August 31, 2018				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,030	1,030
Financial assets included in prepayments, other receivables and other assets					
– Normal**	10,575	–	–	–	10,575
Restricted bank deposits					
– Not yet past due	5,555	–	–	–	5,555
Cash and cash equivalents					
– Not yet past due	116,841	–	–	–	116,841
Other non-current assets					
– Not yet past due	10,000	–	–	–	10,000
	142,971	–	–	1,030	144,001

	As at August 31, 2019				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,860	–	–	–	2,860
Cash and cash equivalents					
– Not yet past due	139,932	–	–	–	139,932
Other non-current assets					
– Not yet past due	3,000	–	–	–	3,000
	145,792	–	–	–	145,792

	As at February 29, 2020				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,237	–	–	–	3,237
Cash and cash equivalents					
– Not yet past due	31,124	–	–	–	31,124
Other non-current assets					
– Not yet past due	4,200	–	–	–	4,200
	38,561	–	–	–	38,561

* For trade receivables to which our Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Accountants' Report set out in Appendix I to this prospectus.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

Our Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, sale and lease-back liabilities and other interest-bearing loans. Our Group's policy is that not more than 75% of borrowings should mature in any 12-month period. 4%, 6%, 9% and 12% of our Group's debts would mature in less than one year as of August 31, 2017, 2018 and 2019 and February 29, 2020, respectively, based on the carrying value of borrowings as of the same dates.

The maturity profile of our Group's financial liabilities at the end of each year of the Track Record Period, based on contractual undiscounted payments, was as follows:

	As of February 29, 2020				
	On Demand	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	35,354	8,000	–	–	43,354
Interest-bearing bank and other borrowings and interest accruals	–	113,662	796,474	–	910,136
Payables for purchase of property, plant and equipment – non-current	–	–	62,317	–	62,317
Other long term liability	–	–	18,404	–	18,404
	35,354	121,662	877,195	–	1,034,211

	As of August 31, 2019				
	On Demand	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals . .	77,082	–	–	–	77,082
Interest-bearing bank and other borrowings and interest accruals	–	74,683	209,376	568,348	852,407
Amounts due to shareholders	2,800	–	–	–	2,800
Amount due to a related party.	3,245	–	–	–	3,245
Payables for purchase of property, plant and equipment – non-current	–	–	122,717	–	122,717
	83,127	74,683	332,093	568,348	1,058,251
Financial guarantees issued:					
Maximum amounts guaranteed	16,406	–	–	–	16,406

	As of August 31, 2018				
	On Demand	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,568	–	–	–	8,568
Financial liabilities included in other payables and accruals . .	99,161	–	–	–	99,161
Interest-bearing bank and other borrowings and interest accruals	–	44,169	159,546	582,839	786,554
Amounts due to shareholders	29,133	–	–	–	29,133
Amount due to a related party.	37,934	–	–	–	37,934
	174,796	44,169	159,546	582,839	961,350
Financial guarantees issued:					
Maximum amounts guaranteed	19,236	–	–	–	19,236

	As of August 31, 2017				
	On Demand	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	12,600	–	–	–	12,600
Financial liabilities included in other payables and accruals	86,536	–	–	–	86,536
Interest-bearing bank and other borrowings and interest accruals	–	30,255	162,357	598,004	790,616
Amounts due to shareholders	39,464	–	–	–	39,464
Amount due to a related party	35,051	–	–	–	35,051
	173,651	30,255	162,357	598,004	964,267
Financial guarantees issued: Maximum amounts guaranteed	21,044	–	–	–	21,044

DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend primarily on dividends paid by the WFOE. The income of the WFOE in turn depends on the service fees paid by our PRC Consolidated Affiliated Entities under the Structured Contracts, in particular, our PRC Operating School, which was incorporated in the PRC. Our ability to distribute dividend is not impacted by our election to register our school as a non-profit private school or a for-profit private school. Please refer to the section headed "Business – Potential Implications of the 2016 Decision and Related Implementation Rules – 2016 Decision and Our Structured Contracts" in this prospectus for further details. Our subsidiaries in China must comply with its constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's FIE, our subsidiaries in China must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC.

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

Historically, we have not declared or paid any dividend to our Shareholders and there is no assurance that dividends of any amount will be declared or be distributed in the future. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. Our future declarations of dividends will be at the absolute discretion of the Board.

LISTING EXPENSES

We expect to incur a total of RMB47.0 million of listing expenses (assuming an Offer Price of HK$2.35, being the mid-point of the indicative Offer Price range between HK$2.10 and HK$2.60, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, which accounts for approximately 13.3% of the gross proceeds from the Global Offering. For the six months ended February 29, 2020, we incurred RMB17.2 million as listing expenses, RMB4.1 million of which will be capitalized upon the Listing and the remaining RMB13.1 million was charged to our profit and loss for the six months ended February 29, 2020. We expect to incur additional listing expenses of RMB29.0 million, of which RMB13.1 million is expected to be charged to our profit or loss for the year ending August 31, 2020 and RMB15.9 million will be capitalized upon the Listing. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending August 31, 2020.

DISTRIBUTABLE RESERVES

Our Company had no distributable reserves available for distribution to the Shareholders as of February 29, 2020 and up to the Latest Practicable Date.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Cushman & Wakefield Limited, and independent property valuation firm, has valued the properties held by us as of May 31, 2020. The text of its letter, summary of values and valuation certificate are set out in the property valuation report as set forth in Appendix III to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as of February 29, 2020 to their market value as of May 31, 2020 attributed by Cushman & Wakefield Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix III to this prospectus:

	RMB'000
Buildings and construction in progress included in property, plant and equipment	1,373,673
Right-of-use assets	16,222
Add: Addition in buildings and construction in progress	15,691
Less: Depreciation and amortization for the three months ended May 31, 2020	(7,003)
Less: Lease payment located on allocated land without commercial value	(6,985)[(1)]
Less: Buildings without commercial value due to the allocated land nature of the property and lack of title certificates	(1,382,482)[(2)]
	9,116
Valuation surplus	14,884
Valuation as of May 31, 2020	24,000

Notes:

(1) The market value of the allocated land is nil in the property valuation report as set out in Appendix III to this prospectus. For details of the allocated land, see the property valuation report as set out in Appendix III to this prospectus. The net book value of the allocated land without commercial value was included in the amount of right-of-use assets as set forth in the table above.

(2) The market value of buildings without commercial value due to the allocated land nature of the property and lack of title certificates was nil in the property valuation report as set out in Appendix III to this prospectus. For details of such buildings, see the property valuation report as set out in Appendix III to this prospectus.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since February 29, 2020, being the date on which our latest audited consolidated financial statements were prepared, and there has been no event since February 29, 2020, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of February 29, 2020 as if it had taken place on February 29, 2020.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of February 29, 2020 or any future date. It is prepared based on our consolidated net tangible assets as of February 29, 2020 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of our Company as of February 29, 2020(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted consolidated net tangible assets(3)**	**Unaudited pro forma adjusted consolidated net tangible assets per Share(4)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HKD*
Based on an Offer Price of HK$2.10 per Share	494,532	287,146	781,678	1.17	1.30
Based on an Offer Price of HK$2.60 per Share	494,532	361,604	856,136	1.28	1.42

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as of February 29, 2020 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited consolidated equity attributable to owners of our Company as of February 29, 2020 of approximately RMB497,591,000 less intangible assets as of February 29, 2020 of approximately RMB3,059,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.10 per Share or HK$2.60 per Share, after deduction of the underwriting fees and other related expenses payable by us (excluding approximately RMB17,970,000 which have been paid or become payable up to February 29, 2020) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.9034.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 666,667,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.9034.

FUTURE PLANS

Please refer to the section headed "Business – Our Business Strategies" in this prospectus for further details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$359.5 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$2.35 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus.

As the Over-allotment Option only involves the Shares which may be sold by the Over-allotment Option Grantor, we will not receive any proceeds from the exercise of the Over-allotment Option. In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$2.35 per Share (being the mid-point of the indicative Offer Price range set forth on the Important Page of this prospectus), the Over-allotment Option Grantor will receive net proceeds of approximately HK$57.6 million, after deducting the underwriting commissions and the Over-allotment Option Grantor's estimated expenses. The Over-allotment Option Grantor may be required to sell up to an aggregate of 25,000,000 existing Shares.

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

- approximately 40.0%, or HK$143.7 million, is expected to be used primarily to expand our Hanan Campus in connection with the construction of the second phase in accordance with the following proportions:

  - approximately 40.0%, or HK$57.6 million is expected to be used for the construction of student dormitories;

  - approximately 20.0%, or HK$28.7 million, is expected to be used for the construction of a student canteen;

  - approximately 20.0%, or HK$28.7 million, is expected to be used for the construction of an exchange center complex; and

  - approximately 20.0%, or HK$28.7 million is expected to be used to purchase equipment;

• approximately 30.0%, or HK$107.9 million, is expected to be used for repayment of all or a portion of the principals and interests of the borrowings from certain financial institutions, including the following:

Lender	Principal Amount	Effective Interest Rate	Maturity Date	Main usage of the Loan
Huatai Principal Investment Group Limited[(1)]	USD12.0 million	12.0%	May 13, 2021	Repayment of other loans
Far East Hongxin (Tianjin) Financial Leasing Co., Ltd.* (遠東宏信(天津)融資租賃有限公司)[(2)]	RMB43.0 million	11.36%	May 31, 2024	Construction of Hanan Campus and repayment of other loans
Far East Hongxin (Tianjin) Financial Leasing Co., Ltd.* (遠東宏信(天津)融資租賃有限公司)[(2)]	RMB40.0 million	10.45%	November 13, 2024	Construction of Hanan Campus and repayment of other loans

Notes:

(1) Incorporated as a company with limited liability in the BVI in 2015, which is an investment holding subsidiary of the Sole Sponsor. It is expected that not more than 15% of the proceeds from the Global Offering will be used to repay the borrowings from Huatai Principal Investment Group Limited. For details of such borrowings, please refer to the section headed "Financial Information – Indebtedness – Borrowings".

(2) Established in December 2013 and based in Tianjin, the PRC, which primarily engages in financial leasing, leasing, purchases of leased property, leased property residual value treatment and maintenance, lease transaction consulting and guarantee businesses.

We expect to fully repay the above borrowings from Huatai Principal Investment Group Limited in 2020.

• approximately 20.0%, or HK$71.9 million, is expected to be used primarily to acquire other schools to expand our school network. In particular, we prefer to acquire qualified undergraduate colleges and/or junior colleges, including private universities and independent colleges in northeastern China, northern China and central China. According to the Frost & Sullivan Report, the number of private higher education institutions in northeastern China, northern China, central China and eastern China, which are our potential acquisition targets, was approximately 69, 89, 112 and 241, respectively, as of June 30, 2019. We conducted a feasibility study and determined to primarily focus on these regions in the PRC for such potential strategic acquisitions because (i) these regions are relatively closer to our headquarters in Heilongjiang Province, which we believe will be easier for us to centrally manage their operations; (ii) there exists less significant differences in cultural background and customs; (iii) there are more concentrated number of private higher education institutions in these regions, which we believe may enable us to more easily identify potential suitable acquisition target(s); and (iv) there had been more exchanges between our schools and some of the schools located in these regions so we are generally more familiar with their local operating environment. We intend to give acquisition priority to schools that offer majors in applied sciences. We will also consider acquiring private undergraduate colleges and/or junior colleges that offer curriculums and education programs that complement those offered at our school, which we believe will create additional business synergies within our school network in terms of resource sharing and student recruitment. As of the Latest Practicable Date, we had not identified any acquisition target; and

- approximately 10.0%, or HK$36.0 million, is expected to be used to fund our working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range, we will receive net proceeds of approximately HK$400.3 million and HK$317.9 million. Under such circumstances, our intended use of proceeds will be increased or decreased on a pro-rata basis.

THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into separate cornerstone investment agreements (collectively, the "Cornerstone Investment Agreements", and each a "Cornerstone Investment Agreement") with the following investors, namely, (i) Sino Edu Capital Fund I LP ("Sino Edu") (ii) Huang Zhanxiong (黃展雄) ("Mr. Huang"), (iii) New China Asset Management (Hong Kong) Limited ("NCAM"), and (iv) Mr. Wu Shang Tun Mason ("Mr. Wu") (collectively, the "Cornerstone Investors", each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe for the Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US$12,340,000 (approximately HK$95,678,190[(1)]) (the "Cornerstone Placing") at the Offer Price.

The Directors believe that, leveraging on the Cornerstone Investors' investment experience as well as their profound background in the education sectors, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through the introduction by the Sole Global Coordinator.

The Cornerstone Placing will form a part of the International Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements described in this section. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Shares under Rule 8.24 of the Listing Rules. Immediately following completion of the Global Offering, the Cornerstone Investors will not have any representation on the Board, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback".

To the best knowledge of our Company, (i) each of the Cornerstone Investors and their respective ultimate beneficial owners (for the Cornerstone Investors other than Mr. Wu) is an Independent Third Party and not our connected person as defined in the Listing Rules; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, the chief executive of our Company, the Controlling Shareholders of our Company,

Note:

(1) Calculated based on an exchange rate of HK$7.7535 to US$1.00 for illustration purpose only. The actual investment amount of each Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the relevant cornerstone investment agreement.

the existing Shareholders or any of their subsidiaries or respective close associates; and (iii) none of the subscriptions of the Offer Shares by the Cornerstone Investors is financed by our Company, the Directors, the chief executive of our Company, the Controlling Shareholders of our Company, the existing Shareholders or any of their subsidiaries or respective close associates.

As confirmed by each of the Cornerstone Investors, the subscription under the Cornerstone Placing would be financed by their own internal resources except for the financing arrangements to be entered into between one of the Cornerstone Investors and our Sole Global Coordinator as described below. There are no side agreements/arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

OUR CORNERSTONE INVESTORS

A brief description of the Cornerstone Investors is set out below:

Information about Sino Edu Capital Fund I LP

Sino Edu is an exempted limited partnership formed under the laws of the Cayman Islands. The general partner of Sino Edu is TH Tech Capital, which is more than 90% owned by an individual and is one of the overseas investment and management platforms established by MOOC-CN Education Investment Co., Ltd.* (慕華教育投資有限公司), a wholly-owned subsidiary of Tsinghua Holdings Co., Ltd.* (清華控股有限公司), with investment strategies focused on education sectors. Capitalized on the profound education industry background of Tsinghua University, MOOC-CN Education Investment Co., Ltd., through its investment arms including Sino Edu, strategically invests in education industry especially in the field of online education, and is dedicated to promote the global sharing of high quality educational resources and to build a healthy modern education industry ecosystem.

We also entered into a service agreement with Beijing Muhua Information Technology Co., Ltd.* (北京慕華信息科技有限公司), a subsidiary of MOOC-CN Education Investment Co., Ltd., to strengthen our online education capability. Please refer to the section headed "Business – Our School – Curriculums and Major Offerings – Online Education System" in this prospectus for further details.

Sino Edu may obtain external financing by entering into certain financing arrangement(s) with Huatai Financial Holdings (Hong Kong) Limited ("Huatai Financial"), our Sole Global Coordinator, to partially finance its subscription for the Offer Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by Huatai Financial. All or some of the Offer Shares to be subscribed for by Sino Edu may be charged to Huatai Financial as security for the financing arrangement(s). Under the financing arrangement(s), upon the occurrence of certain customary events of default, Sino Edu will be required to repay the loan before its maturity. Huatai Financial therefore has the right to enforce the security interest in the Offer Shares by way of appropriation or foreclosure in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default, save that the Sino Edu has undertaken and acknowledged to the Company to procure Huatai Financial to be subject to the same restrictions during the period of six months following the Listing Date.

Information about Huang Zhanxiong (黃展雄)

Mr. Huang is a professional investor in private equity as well as securities. He is experienced in investing Hong Kong and US stock market. He worked as member of committee in a prestigious private equity company in China. He is currently a director and partner of Guangdong Lesso BoRun Capital Investment Management Co., Ltd.* (廣東聯塑博潤股權投資管理有限公司), which invests in environment protection, intelligence technology as well as new consumption industries.

Information about New China Asset Management (Hong Kong) Limited

NCAM is an overseas investment platform of New China Life Insurance Company Limited ("NCL") and is funded by NCL, which is a major nationwide life insurance company in China and is dual-listed on the Stock Exchange and Shanghai Stock Exchange (stock code: 01336.HK; 601336.SH). Over 99% of NCAM's shares are controlled by NCL. The business scope of NCAM includes asset management and related services permitted by laws and regulations. NCAM is a Licensed Corporation regulated by the Hong Kong Securities and Futures Commission and is licensed to carry out Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities. NCAM is authorized by NCL to conduct fully discretionary investment management.

As confirmed by NCAM, approval from the Stock Exchange and Shanghai Stock Exchange is not required for NCAM's cornerstone investment in our Company.

Information about Wu Shang Tun Mason

Mr. Wu is a professional investor in Hong Kong. He was previously part of the management team of Wing Lung Bank, which was founded and majority owned by his family, and is currently a shareholder of Wings Securities Limited, which is a licensed corporation to conduct regulated activities under the SFO.

The following tables set out certain details of the Cornerstone Placing:

Cornerstone Investor	Total investment amount	Assuming an Offer Price of HK$2.10 per Offer Share (being the low-end of the indicative Offer Price range): Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 1,000 Shares)	Approximate percentage of the Offer Shares: assuming the Over-allotment Option is not exercised	Approximate percentage of the Offer Shares: assuming the Over-allotment Option is fully exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering (whether or not the Over-allotment Option is exercised)[1]
Sino Edu.	US$ 3,840,000	14,177,000	8.51%	7.40%	2.13%
Mr. Huang	US$ 5,000,000	18,460,000	11.08%	9.63%	2.77%
NCAM.	US$ 2,500,000	9,230,000	5.54%	4.82%	1.38%
Mr. Wu	US$ 1,000,000	3,692,000	2.22%	1.93%	0.55%
Total.	US$12,340,000	45,559,000	27.34%	23.77%	6.83%

Cornerstone Investor	Total investment amount	Assuming an Offer Price of HK$2.35 per Offer Share (being the mid-point of the indicative Offer Price range): Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 1,000 Shares)	Approximate percentage of the Offer Shares: assuming the Over-allotment Option is not exercised	Approximate percentage of the Offer Shares: assuming the Over-allotment Option is fully exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering (whether or not the Over-allotment Option is exercised)[1]
Sino Edu.	US$ 3,840,000	12,669,000	7.60%	6.61%	1.90%
Mr. Huang	US$ 5,000,000	16,496,000	9.90%	8.61%	2.47%
NCAM.	US$ 2,500,000	8,248,000	4.95%	4.30%	1.24%
Mr. Wu	US$ 1,000,000	3,299,000	1.98%	1.72%	0.49%
Total.	US$12,340,000	40,712,000	24.43%	21.24%	6.11%

		Assuming an Offer Price of HK$2.60 per Offer Share (being the high-end of the indicative Offer Price range)			
			Approximate percentage of the Offer Shares		
Cornerstone Investor	Total investment amount	Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 1,000 Shares)	assuming the Over-allotment Option is not exercised	assuming the Over-allotment Option is fully exercised	Approximate shareholding percentage in the Shares in issue immediately following completion of the Global Offering (whether or not the Over-allotment Option is exercised)(1)
Sino Edu.	US$ 3,840,000	11,451,000	6.87%	5.97%	1.72%
Mr. Huang	US$ 5,000,000	14,910,000	8.95%	7.78%	2.24%
NCAM.	US$ 2,500,000	7,455,000	4.47%	3.89%	1.12%
Mr. Wu	US$ 1,000,000	2,982,000	1.79%	1.56%	0.45%
Total.	US$12,340,000	36,798,000	22.08%	19.20%	5.52%

Note:

(1) As the Over-allotment Option only involves the existing Shares which may be sold by the Over-allotment Option Grantor, whether the Over-allotment is exercised in full, in part or at all, the number of issued Shares of the Company immediately following completion of the Global Offering is 666,667,000 Shares.

PAYMENT AND DELAYED DELIVERY

Payment of the aggregate investment amount, together with the brokerage and levies, shall be made by the Cornerstone Investors in Hong Kong dollars without deduction or set-off whatsoever on the Listing Date.

If the Sole Global Coordinator in its sole discretion determine that delivery of all or any part of the Shares subscribed for by the Cornerstone Investors should be made on a date (the "Delayed Delivery Date") later than the Listing Date, the Sole Global Coordinator shall notify the Cornerstone Investors in writing, provided that the Delayed Delivery Date shall be no later than two (2) business days following the last day on which the Over-allotment Option may be exercised. The deferred delivery arrangement was in place to facilitate the over-allocation in the International Offering. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by certain Cornerstone Investors under the Cornerstone Placing.

If there is no over-allocation in the International Offering, delayed delivery will not take place. If the Shares subscribed for by the Cornerstone Investors are to be delivered to the Cornerstone Investors on the Delayed Delivery Date, the Cornerstone Investors shall nevertheless pay for the Shares on the Listing Date. For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, please refer to the sections headed "Structure of the Global Offering – The International Offering – Over-allotment Option" and "Structure of the Global Offering – Stabilization" in this Prospectus, respectively.

CONDITIONS PRECEDENT

Each of the Cornerstone Investors' obligation to subscribe for the Shares and the obligations of our Company to issue, allot, place, and the obligations of the Sole Global Coordinator to allocate and/or deliver (as the case may be) or cause to be allocated and/or delivered (as the case may be) are conditional upon each of the following conditions having been satisfied or waived by the parties at or prior to the Listing Date:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective times and dates specified therein, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued (including the Shares to be subscribed by the Cornerstone Investor) pursuant to the Global Offering as well as other applicable waivers and approvals, and such approvals, permission and waivers are not revoked prior to the commencement of dealings of the Shares on the Hong Kong Stock Exchange;

(d) there is no law made or promulgated prohibiting the completion of the Hong Kong Public Offering, the International Offering or the transactions contemplated under the Cornerstone Agreement, and no order or injunction preventing or prohibiting the completion of the relevant transactions by court of competent jurisdiction; and

(e) the respective representations, warranties, undertakings, confirmations and acknowledgments of the Cornerstone Investor and our Company is (as at the date of the Cornerstone Agreement) and will be (up to the Listing Date or Delayed Delivery Date (as the case may be) true and accurate in all respects and not misleading, and there is no material breach to the Cornerstone Agreement on the part of the Cornerstone Investor (for itself/himself (as the case may be) and on behalf of the wholly-owned subsidiary/company (as the case may be) of the Cornerstone Investor that is a "professional investor" as defined in Part I of Schedule I to the SFO and is not a U.S. person as defined in Rule 902 of Regulation S (the "Investor Affiliate") (where applicable)).

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investor has undertaken and agreed to our Company and the Sole Global Coordinator that without the prior written consent of each of our Company and the Sole Global Coordinator, he/it shall not, and shall procure the Investor Affiliate not, at any time during the period of six months following the Listing Date (the "Lock-up Period"), directly or indirectly, (i) dispose of, in any way, any Shares subscribed for by the Cornerstone Investor pursuant to the Cornerstone Agreement and any shares or other securities of our Company which are derived from the such Shares (the "Relevant Shares") or any interest therein or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited

CMB International Capital Limited

Victory Securities Company Limited

CASH Financial Services Group Limited

Goldbridge Securities Limited

SOLE GLOBAL COORDINATOR

Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on July 24, 2020. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly or jointly and severally, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(ii) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iii) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading in any respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(iv) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission from any of this prospectus, the Application Forms, application proof information pack, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto); or

(v) any matter, event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vi) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) Ernst & Young as the reporting accountants, Jingtian & Gongcheng as the legal advisers to the Company on PRC law, Conyers Dill & Pearman as the legal advisers to the Company on Cayman Islands law in relation to the Global Offering, Cushman & Wakefield Limited as the independent property valuer or Frost & Sullivan as the independent industry consultant, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) a material portion of the orders in the bookbuilding process or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(2) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or the British Virgin Islands, or any other jurisdiction relevant to any member of our Group (each a "Relevant Jurisdiction"); or

(ii) any new law or regulation or any change, development or announcement or publication involving a prospective change in existing law or regulations, or any change, development or announcement or publication involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) the imposition or declaration of:

(i) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(ii) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, New York, London, the PRC, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(iv) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(v) any litigation, or claim, or investigation or actions being announced, threatened or instigated against any Group company or the Controlling Shareholders; or

(vi) a demand by any tax authority for payment for any tax liability for any member of our Group; or

(vii) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of our Group taken as a whole; or

(viii) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman of the Company, the chief executive officer or chief financial officer of the Company vacating his or her office; or

(xi) the commencement by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or

(xii) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or

(xiii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory Syndrome (SARS), H1N1 and H5N1 and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or

(xvii) any change or prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

(xviii) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xix) a demand by any creditor for repayment or payment of any member of the Group’s indebtedness prior to its stated maturity;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters)

(i) has or will or may have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(ii) has or will or may have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or

(iii) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any material part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the "First Six-Month Period") (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering, any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Our Controlling Shareholders

Pursuant to Rule 10.07(1), each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to (i) the Global Offering, (ii) the Capitalization Issue, (iii) the Over-allotment Option, or (iv) the Stock Borrowing Agreement, he/she/it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the expiration date of the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any Shares or other securities of our Company beneficially owned by him/her/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) when he/she/it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken as follows.

Undertakings by Our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option) or the issue of options or shares under the Share Option Scheme or the issue of Shares pursuant to the Capitalization Issue, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-Month Period, we have undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, or other security interest or any option, restriction, right of first refusal, right of pre-emption, defect, or other third party claim, right, interest or preference or any other encumbrance of any kind ("Encumbrance") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a) or (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders has undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings in this paragraph.

Undertakings by Our Controlling Shareholders

Except for any transfer of Shares pursuant to the Stock Borrowing Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/she/it will not at any time during the First Six-Month Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a)(i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six-Month Period);

(b) he/she/it will not during the Second Six-Month Period, enter into any of the transactions specified in paragraph(a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/she/it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to jointly and severally indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Sole Global Coordinator, and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally, but not jointly or jointly and severally, agree to procure purchasers for or failing which to purchase, the International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, the Over-allotment Option Grantor is expected to grant to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being Saturday, August 29, 2020) to require the Over-allotment Option Grantor to sell up to 25,000,000 additional Shares, representing 15% of the initial size of the Global Offering, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Underwriting Commission and Expenses

We will pay an underwriting commission of 2.0% of the Offer Price per Hong Kong Offer Share initially offered under the Hong Kong Public Offering out of which the Hong Kong Underwriters will pay any sub-underwriting commission. We expect to pay an underwriting commission of 2.0% of the Offer Price per International Offer Share offered under the International Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, we may pay to the Sole Global Coordinator for its account only a discretionary incentive fee of up to 1.0% of the Offer Price.

The aggregate commissions and fees (excluding any discretionary incentive fee), together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately RMB47.0 million (assuming an Offer Price of HK$2.35, being the mid-point of the indicative Offer Price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Hong Kong Underwriters' Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the relevant laws and practice of the country of purchase in addition to the Offer Price.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

(i) the Hong Kong Public Offering of initially 16,668,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 149,999,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed "– The International Offering" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.00% of the enlarged issued share capital of the Company immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme. If the Over-allotment Option, if any, is exercised in full, the Offer Shares will represent approximately 28.75% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option, if any, as set out in the paragraph headed "– The International Offering – Over-allotment Option" below, and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "– The Hong Kong Public Offering – Reallocation and Clawback" below.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 16,668,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.50% of the Company's issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option, if any, is not exercised, and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– Conditions of the Global Offering" below.

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (subject to any reallocation referred to below) is to be divided into two pools: 8,334,000 Offer Shares for Pool A and 8,334,000 Offer Shares for Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in Pool B. Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such undersubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 8,334,000 Hong Kong Offer Shares (being 50% of the 16,668,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached ("**Mandatory Reallocation**"). In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 50,002,000, 66,668,000 and 83,334,000 Shares, respectively, representing approximately 30% (in the case of (i)), approximately 40% (in the case of (ii)) and approximately 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated between Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering.

In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, in accordance with Guidance Letter HKEX-GL91-18, up to 16,668,000 additional Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Shares available under the Hong Kong Public Offering will be increased to 33,336,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering or approximately 20% of the total number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price would be set at HK$2.10 per Offer Share, being the low-end of the indicative Offer Price range.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.60 per Share in addition to any brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "– Pricing and Allocation" below, is less than the maximum price of HK$2.60 per Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for the Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

Subject to reallocation as described above and the exercise of the Over-allotment Option, the International Offering will consist of an aggregate of 149,999,000 Offer Shares to be initially offered by the Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "– The Hong Kong Public Offering – Reallocation and Clawback" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Over-allotment Option Grantor is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time and from time to time on or before the expiration of the period of thirty (30) calendar days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantor to sell up to 25,000,000 additional Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.75% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option, without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option, to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, if any, namely, 25,000,000 Shares, which is approximately 15% of the total number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option, if any, is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the Shares;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option, in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price;

(e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager or any person acting for it will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates such long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, August 29, 2020. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using the Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or though the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 25,000,000 Shares, representing approximately 15% of the Offer Shares, from the Over-allotment Option Grantor to cover over-allocations (being the maximum number of additional Shares which may be sold upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising of the Over-allotment Option.

If such stock borrowing arrangement is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, being that (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering; (b) the maximum number of Shares to be borrowed from the Over-allotment Option Grantor pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be sold upon full exercise of the Over-allotment Option; (c) the same number of Shares so borrowed must be returned to the Over-allotment Option Grantor or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the day on which the Over-allotment Option is exercised in full; (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements; and (e) no payments will be made to the Over-allotment Option Grantor by the Stabilizing Manager in relation to the stock borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, July 30, 2020 and in any event on or before Friday, July 31, 2020, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price will not be more than HK$2.60 per Offer Share and is expected to be not less than HK$2.10 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

Reduction in Number of Offer Shares

The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, when it deems appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

If application for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the Global Offering, the results of applications in the Hong Kong Public Offering and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, August 5, 2020 on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.leader-education.cn**).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

Our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn or revoked prior to the Listing Date;

(ii) the Offer Price having been agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to extent such conditions are validly waived on or before such dates and times) and in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, July 31, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse, and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.leader-education.cn**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, August 5, 2020 but will only become valid certificates of title at 8:00 a.m. on Thursday, August 6, 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering, including the Shares which may be sold pursuant to the exercise of the Over-allotment Option.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, August 6, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, August 6, 2020.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 1449.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

(i) are 18 years of age or older;

(ii) have a Hong Kong address;

(iii) are outside the United States; and

(iv) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

(i) are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;

(ii) are a Director or chief executive officer of our Company and/or any of its subsidiaries;

(iii) are a close associate (as defined in the Listing Rules) of any of the above;

(iv) are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; and

(v) have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, July 27, 2020 until 12:00 noon, Thursday, July 30, 2020 from:

(i) the following offices of the Joint Bookrunners:

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

CMB International Capital Limited
45/F
Champion Tower
3 Garden Road Central
Hong Kong

(ii) any of the branches of the following receiving bank:

CMB Wing Lung Bank Limited

District	Branch	Address
Hong Kong	Head office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Monday, July 27, 2020 until 12:00 noon, Thursday, July 30, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**CMB WING LUNG (NOMINEES) LIMITED – LEADER EDUCATION LTD PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, July 27, 2020	–	10:00 a.m. to 4:00 p.m.
Tuesday, July 28, 2020	–	10:00 a.m. to 4:00 p.m.
Wednesday, July 29, 2020	–	10:00 a.m. to 4:00 p.m.
Thursday, July 30, 2020	–	10:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon Thursday, July 30, 2020, the last application day or such later time as described in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, Companies (WUMP) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, the Application Form, the **IPO App** and the designated website under the **HK eIPO White Form** service;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Monday, July 27, 2020 until 11:30 a.m., Thursday, July 30, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, July 30, 2020 or such later time under the "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

(iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

(vi) confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(x) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(xi) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

(xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

(xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and

(xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

(i) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

(ii) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

(iii) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, July 27, 2020	–	9:00 a.m. to 8:30 p.m.
Tuesday, July 28, 2020	–	8:00 a.m. to 8:30 p.m.
Wednesday, July 29, 2020	–	8:00 a.m. to 8:30 p.m.
Thursday, July 30, 2020	–	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, July 27, 2020 until 12:00 noon on Thursday, July 30, 2020 (24 hours daily, except on Thursday, July 30, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, July 30, 2020, the last application day or such later time as described in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" below.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, July 30, 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

(i) an account number; or

(ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

(i) control the composition of the board of directors of the company;

(ii) control more than half of the voting power of the company; or

(iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see "Structure of the Global Offering – Pricing and Allocation" in this prospectus for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

(i) a tropical cyclone warning signal number 8 or above;

(ii) a "black" rainstorm warning; and/or

(iii) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, July 30, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, July 30, 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, August 5, 2020 on our Company's website at **www.leader-education.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

(i) in the announcement to be posted on our Company's website at **www.leader-education.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, August 5, 2020;

(ii) from "Allotment Result" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, August 5, 2020 to 12:00 midnight on Tuesday, August 11, 2020;

(iii) by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, August 5, 2020 to Monday, August 10, 2020 (excluding Saturday, Sunday and public holiday in Hong Kong);

(iv) in the special allocation results booklets which will be available for inspection during opening hours on Wednesday, August 5, 2020 and Friday, August 7, 2020 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

(i) within three weeks from the closing date of the application lists; or

(ii) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

(i) you make multiple applications or suspected multiple applications;

(ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

(iii) your Application Form is not completed in accordance with the stated instructions;

(iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;

(v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

(vi) the Underwriting Agreements do not become unconditional or are terminated;

(vii) our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

(viii) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, August 5, 2020.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(i) Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

(ii) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, August 5, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, August 6, 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, August 5, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, August 5, 2020 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, August 5, 2020 by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, August 5, 2020 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, August 5, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, August 5, 2020 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, August 5, 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

(i) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, August 5, 2020 or, on any other date determined by HKSCC or HKSCC Nominees.

(ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, August 5, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, August 5, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

(iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

(iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, August 5, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, August 5, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Leader Education Limited

Huatai Financial Holdings (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Leader Education Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-71, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 August 2017, 2018 and 2019, and the six months ended 29 February 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 August 2017, 2018 and 2019 and 29 February 2020 and the statements of financial position of the Company as at 31 August 2019 and 29 February 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 July 2020 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 August 2017, 2018 and 2019 and 29 February 2020 and the financial position of the Company as at 31 August 2019 and 29 February 2020, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 28 February 2019 and other explanatory information (the "Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company since the date of its incorporation.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
27 July 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 August			Six months ended	
		2017	2018	2019	28 February 2019	29 February 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CONTINUING OPERATIONS						
REVENUE	*5*	107,697	117,494	138,212	76,782	89,146
Cost of sales		(52,365)	(51,701)	(59,007)	(30,627)	(39,661)
Gross profit		55,332	65,793	79,205	46,155	49,485
Other income and gains	*5*	782	1,723	1,222	519	642
Selling expenses		(501)	(801)	(814)	(295)	(553)
Administrative expenses		(6,897)	(9,561)	(9,256)	(4,493)	(18,434)
Other expenses, net		–	–	–	–	(630)
Finance costs	*7*	–	–	–	–	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	48,716	57,154	70,357	41,886	30,510
Income tax expense	*10*	–	–	–	–	–
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		48,716	57,154	70,357	41,886	30,510
DISCONTINUED OPERATION						
Loss for the year/period from a discontinued operation	*11*	(1,560)	(875)	(146)	(487)	(1,477)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		47,156	56,279	70,211	41,399	29,033
Attributable to:						
Owners of the Company		47,156	56,279	70,211	41,399	29,033
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:						
Basic and diluted	*13*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 August			As at 29 February
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	1,052,357	1,133,616	1,351,480	1,414,715
Right-of-use assets	*15(a)*	17,430	16,947	16,464	16,222
Other intangible asset	*16*	826	430	1,089	3,059
Prepayments for purchase of property, plant and equipment		4,528	7,265	23,460	15,339
Investment in an associate	*17*	–	–	–	–
Other non-current assets	*20*	10,000	10,000	3,000	4,200
Total non-current assets		1,085,141	1,168,258	1,395,493	1,453,535
CURRENT ASSETS					
Inventories	*18*	40,800	30,875	–	–
Trade receivables	*19*	3,166	510	–	–
Prepayments, other receivables and other assets	*20*	8,129	11,113	5,247	10,270
Restricted bank deposits	*21*	5,596	5,555	–	–
Cash and cash equivalents	*21*	124,009	116,841	139,932	31,124
		181,700	164,894	145,179	41,394
Assets of a disposal group classified as held for distribution on demerger	*11*	–	–	46,795	–
Total current assets		181,700	164,894	191,974	41,394
CURRENT LIABILITIES					
Trade payables	*22*	12,600	8,568	–	–
Other payables and accruals	*23*	95,672	111,602	94,103	65,704
Interest-bearing bank and other borrowings and interest accruals	*24*	27,437	38,921	63,262	94,510
Contract liabilities	*5*	107,552	96,250	129,197	73,857
Amounts due to shareholders	*30(d)*	39,464	29,133	2,800	–
Amount due to a related party	*30(d)*	35,051	37,934	3,245	–
		317,776	322,408	292,607	234,071

	Notes	As at 31 August 2017	As at 31 August 2018	As at 31 August 2019	As at 29 February 2020
		RMB'000	RMB'000	RMB'000	RMB'000
Liabilities directly associated with the assets classified as held for distribution on demerger	*11*	–	–	53,088	–
Total current liabilities		317,776	322,408	345,695	234,071
NET CURRENT LIABILITIES		(136,076)	(157,514)	(153,721)	(192,677)
TOTAL ASSETS LESS CURRENT LIABILITIES		949,065	1,010,744	1,241,772	1,260,858
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings and interest accruals	*24*	614,767	620,167	667,109	687,009
Payables for purchase of property, plant and equipment	*23*	–	–	113,875	57,854
Other long term liability	*23*	–	–	–	18,404
Total non-current liabilities		614,767	620,167	780,984	763,267
Net assets		334,298	390,577	460,788	497,591
EQUITY					
Equity attributable to owners of the Company					
Share capital	*25*	–	–	–	–
Reserves	*26*	334,298	390,577	460,788	497,591
Total equity		334,298	390,577	460,788	497,591

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)	*(note 26)*	*(note 26)*		
As at 1 September 2016	–	76,000	62,702	148,440	287,142
Profit and total comprehensive income for the year	–	–	–	47,156	47,156
Transfer from retained profits	–	–	12,249	(12,249)	–
As at 31 August 2017 and 1 September 2017	–	76,000*	74,951*	183,347*	334,298
Profit and total comprehensive income for the year	–	–	–	56,279	56,279
Transfer from retained profits	–	–	14,359	(14,359)	–
As at 31 August 2018 and 1 September 2018	–	76,000*	89,310*	225,267*	390,577
Profit and total comprehensive income for the year	–	–	–	70,211	70,211
Transfer from retained profits	–	–	17,659	(17,659)	–
As at 31 August 2019	–	76,000*	106,969*	277,819*	460,788

	Attributable to owners of the Company				
	Share capital	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)	*(note 26)*	*(note 26)*		
As at 31 August 2019 and 1 September 2019	–	76,000	106,969	277,819	460,788
Profit and total comprehensive income for the period	–	–	–	29,033	29,033
Demerger of the non-listing business (note 11)	–	(36,000)	–	43,770	7,770
Transfer from retained profits	–	–	8,923	(8,923)	–
As at 29 February 2020	–	40,000*	115,892*	341,699*	497,591
As at 31 August 2018 and 1 September 2018	–	76,000	89,310	225,267	390,577
Profit and total comprehensive income for the period *(unaudited)*	–	–	–	41,399	41,399
Transfer from retained profits *(unaudited)*	–	–	10,507	(10,507)	–
As at 28 February 2019 *(unaudited)*	–	76,000	99,817	256,159	431,976

* These reserve accounts comprise the consolidated reserves of RMB334,298,000, RMB390,577,000, RMB460,788,000 and RMB497,591,000 in the consolidated statements of financial position as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 August			Six months ended	
		2017	2018	2019	28 February 2019	29 February 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:						
From continuing operations. . . .		48,716	57,154	70,357	41,886	30,510
From a discontinued operation. .	*11*	500	(504)	385	(312)	2,824
Adjustments for:						
Bank interest income	*5*	(102)	(372)	(473)	(247)	(140)
Loss on disposal of items of property, plant and equipment, net		–	–	16	–	–
Depreciation of property, plant and equipment.		18,175	18,611	18,998	10,379	12,993
Depreciation of right-of-use assets.		483	483	483	242	242
Amortisation of other intangible asset		1,242	626	468	258	468
Provision for expected credit losses on trade receivables. . .		281	378	47	47	79
Provision for expected credit losses on other receivables. . .		5	24	31	31	10
Reversal of impairment of trade receivables		(340)	(213)	(342)	(342)	–
Reversal of impairment of other receivables		(165)	(44)	(13)	(13)	(10)
		68,795	76,143	89,957	51,929	46,976
Decrease in inventories		51,575	9,925	7,349	4,555	7,010
Decrease/(increase) in trade receivables.		2,211	2,491	683	691	(41)
(Increase)/decrease in prepayments, other receivables and other assets.		11,599	(2,964)	(515)	378	(6,334)
(Increase)/decrease in restricted bank deposits		(70)	41	125	85	80
Decrease in trade payables		(10,753)	(4,032)	(1,118)	(702)	(129)
Increase/(decrease) in other payables and accruals		(18,839)	(18,952)	7,631	(11,470)	4,969
Increase/(decrease) in contract liabilities		2,553	(11,302)	32,947	(34,200)	(55,340)
Cash generated from/(used in) operations		107,071	51,350	137,059	11,266	(2,809)
Interest received.		102	372	473	247	140
Tax paid.		(2,060)	(371)	(531)	(175)	(4,301)
Net cash flows from/(used in) operating activities.		105,113	51,351	137,001	11,338	(6,970)

	Notes	Year ended 31 August 2017	2018	2019	Six months ended 28 February 2019	29 February 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Increase in prepayments for purchase of property, plant and equipment		(4,528)	(7,265)	(23,460)	(9,584)	(4,563)
Purchases of items of property, plant and equipment		(48,491)	(30,398)	(107,067)	(57,571)	(114,244)
Additions to other intangible asset		(270)	(230)	(1,127)	(468)	(2,438)
Demerger of non-listing business	*11*	–	–	–	–	(1,242)
Net cash flows used in investing activities		(53,289)	(37,893)	(131,654)	(67,623)	(122,487)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans and other borrowings		45,000	40,000	30,000	30,000	–
Repayment of bank loans and other borrowings		(60,500)	(37,000)	(49,000)	(25,000)	(44,000)
Interest paid		(10,869)	(16,178)	(13,489)	(7,101)	(8,391)
Interest element of sale and leaseback liabilities		–	–	–	–	(4,930)
Principal portion of sale and leaseback liabilities		–	–	70,775	–	88,830
Payment for other non-current assets		–	–	(3,000)	–	(1,200)
Repayment to shareholders	*30(b)*	–	(10,331)	(13,150)	(1,810)	(2,800)
Advance from a related party	*30(b)*	46,145	15,719	22,133	14,440	7,150
Repayment to a related party	*30(b)*	(49,948)	(12,836)	(25,223)	(16,628)	(15,312)
Net cash flows from/(used in) financing activities		(30,172)	(20,626)	19,046	(6,099)	19,347
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		21,652	(7,168)	24,393	(62,384)	(110,110)
Cash and cash equivalents at beginning of year/period		102,357	124,009	116,841	116,841	141,234
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		124,009	116,841	141,234	54,457	31,124

	Notes	Year ended 31 August			Six months ended	
		2017	2018	2019	28 February 2019	29 February 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*21*	124,009	116,841	139,932	54,457	31,124
Cash and cash equivalents as stated in the consolidated statements of financial position		124,009	116,841	139,932	54,457	31,124
Cash and cash equivalents attributable to a discontinued operation	*11*	–	–	1,302	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows		124,009	116,841	141,234	54,457	31,124

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**As at 31 August 2019**	**As at 29 February 2020**
		RMB'000	*RMB'000*
CURRENT ASSETS			
Amounts due from shareholders		–	–
NET CURRENT ASSETS		–	–
TOTAL ASSETS		–	–
Net assets		–	–
EQUITY			
Share capital	*25*	–	–

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Leader Education Limited (the "Company") was incorporated in the Cayman Islands on 17 June 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing private higher education services (the "Listing Businesses") in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent the reorganisation as set out in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Prospectus (the "Reorganisation"). Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries, the particulars of which are set out below:

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Leader Education Limited 立德教育有限公司 ("Leader BVI") *(note a)* . . .	British Virgin Islands 18 June 2019	US$500	100	–	Investment holding
Leader Education (HK) Limited 立德教育(香港)有限公司, previously known as (Leader Education Limited 立德教育有限公司) ("Leader HK") *(note b)* . . .	Hong Kong 12 July 2019	HK$1	–	100	Investment holding
Heilongjiang Liankang Business Information Consulting Limited 黑龍江聯康商務信息諮詢有限公司* ("Liankang Consulting") *(note b)*	PRC/Mainland China 8 August 2019	US$12,000,000	–	100	Provision of technical and management consultancy services
Harbin Xiangge Enterprise Management Limited** 哈爾濱祥閣企業管理有限公司* ("Harbin Xiangge") *(note c)*	PRC/Mainland China 7 February 2007	RMB40,000,000**	–	See note 2.1**	Provision of enterprise business consultancy services and investment in the education industry**
Heilongjiang College of Business and Technology 黑龍江工商學院* ("Heilongjiang College") *(note c)*	PRC/Mainland China 16 October 2003	RMB183,300,000	–	100	Provision of private higher education services

Notes:

(a) No audited financial statements have been prepared for these companies during the Relevant Periods as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation/registration.

(b) No audited financial statements have been prepared for these companies during the Relevant Periods as they were newly incorporated in 2019.

(c) The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with relevant accounting principles and financial regulations were audited by Foshan Shunde Guangde Certified Public Accountants (佛山市順德區廣德會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC. On 13 February 2020, Harbin Xiangge Property Development Limited (哈爾濱祥閣房地產開發有限公司) changed its name and principal activities to Harbin Xiangge Enterprise Management Limited (哈爾濱祥閣企業管理有限公司) and the provision of enterprise business consultancy services and investment in the education industry, respectively.

* The English names of these companies or a school established in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.

** As further explained in note 11, Harbin Xiangge underwent a demerger in August 2019 as part of the Reorganisation to dispose of the property development business of the Group and the demerger was completed in January 2020. As a result of the demerger, Harbin Xiangge continued to hold Heilongjiang College, which forms the principal business of the Group, and Harbin Xiangzhen Yincheng Zhiye Limited (哈爾濱祥振引城置業有限公司) ("Yincheng Zhiye") was established to hold the property development business then held by Harbin Xiangge. Immediately after the demerger, the total registered capital of Harbin Xiangge was reduced to RMB40 million.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganization" under the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 6 February 2020.

As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing companies using the pooling of interest method as if the group structure had been in place at the beginning of the Relevant Periods.

Due to regulatory restrictions on foreign ownership in the private higher education industry in the PRC, the Listing Businesses were carried out by Harbin Xiangge and Heilongjiang College (collectively, the "PRC Operating Entities") during the Relevant Periods. Pursuant to the Reorganisation, Liankang Consulting (the "Wholly Foreign Owned Enterprise", or the "WFOE"), the Company's wholly-owned subsidiary, has entered into structured contracts with, among others, the PRC Operating Entities and their respective equity holders (the "Structured Contracts"). The arrangements of the Structured Contracts enable the WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the PRC Operating Entities are controlled by the Company based on the Structured Contracts though the Company does not have any direct or indirect equity interest in the PRC Operating Entities. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Prospectus.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all entities now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 August 2017, 2018 and 2019 and 29 February 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

Going concern

The Group recorded net current liabilities of RMB136,076,000, RMB157,514,000, RMB153,721,000 and RMB192,677,000 as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively. Included therein were the contract liabilities of RMB107,552,000, RMB96,250,000, RMB129,197,000 and RMB73,857,000 as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively, which will be settled by education services provided by the Group rather than settled by cash; and bank and other borrowings and interest accruals of RMB27,437,000, RMB38,921,000, RMB63,262,000 and RMB94,510,000 as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively, which were due for repayment within the next twelve months.

In view of the net current liabilities position, the directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the financial resources available to the Group, including the internally generated funds from operation and existence of sufficient facility of RMB169,000,000 and a term loan facility of USD25,000,000 among which USD12,000,000 had been drawn down on 13 May 2020, and the ability of management in adjusting the pace of its operation expansion, the directors of the Group are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 No mandatory effective date yet determined but available for adoption

None of the above new and revised IFRSs has had a significant financial effect on the Historical Financial Information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of the associate is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint ventures, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale or distribution, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, inventories and a disposal group classified as held for sale or distribution), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.90%-3.17%
Devices and equipment	11.88%
Motor vehicles	9.50%
Furniture, fixtures and others	9.50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least as at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least as at each financial year end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 3 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40-50 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Sale and leaseback transaction – the Group as seller-lessee

The Group applies the requirements in IFRS 15 to determine whether the transfer of an asset under a sale and leaseback arrangement is accounted for as a sale of that asset. If the transfer of an asset by the Group under a sale and leaseback arrangement does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds which is presented as interest-bearing bank and other borrowings and interest accruals in the consolidated statements of financial position.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, payables for purchase of property, plant and equipment, interest-bearing bank and other borrowings and interest accruals, amounts due to shareholders, an amount due to a related party and other long term liability.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the consolidated statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed as at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed as at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of services promised to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach in revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The Group recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the periods of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's schools is generally from September to August of the following year.

The Group does not expect to have any contracts where the period between the transfer of the services promised to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Social pension plans

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Foreign currencies

The Historical Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Structured Contracts

The Group conducts the private higher education business through the PRC Operating Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Entities and enjoys all the economic benefits of the PRC Operating Entities through the Structured Contracts.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold any direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the Structured Contracts. Accordingly, the PRC Operating Entities have been accounted for as subsidiaries during the Relevant Periods.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expenses in the period that such determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the Relevant Periods. Further details of the property, plant and equipment are set out in note 14 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance.

No operating segment information of the continuing operation is presented as more than 90% of the Group's revenue and reported results from the continuing operation during each of the years ended 31 August 2017, 2018 and 2019, and the six months ended 29 February 2020, and more than 90% of the Group's total assets attributable to the continuing operations as at the end of each of these years/period were derived from one single operating segment, i.e., the provision of education services.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and performance assessment, does not contain discrete operating segment financial information, and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from services provided to a single customer amounted to 10% or more of the total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Tuition fees	99,239	108,197	127,899	71,401	82,787
Boarding fees	8,458	9,297	10,313	5,381	6,359
Total revenue from contracts with customers	107,697	117,494	138,212	76,782	89,146
Other income and gains					
Bank interest income . . .	102	372	473	247	140
Rental income.	632	1,064	675	202	377
Government grants – related to income . . .	13	287	51	51	64
Others	35	–	23	19	61
	782	1,723	1,222	519	642

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2017, 2018 and 2019 and 29 February 2020 and were expected to be recognised within one year:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	99,331	89,847	120,028	68,870
Boarding fees	8,221	6,403	9,169	4,987
Total contract liabilities	107,552	96,250	129,197	73,857

The Group receives tuition fees and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the periods of the applicable programme. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

The transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration that is constrained.

Significant changes in the contract liability balances during the Relevant Periods are as follows.

	Year ended 31 August			Six months ended 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	104,999	107,552	96,250	129,197
Revenue recognised that was included in the contract liabilities at the beginning of the year/period	(104,999)	(107,552)	(96,250)	(71,259)
Increases due to cash received, excluding amounts recognised as revenue during the year/period	107,552	96,250	129,197	15,919
At the end of the year/period	107,552	96,250	129,197	73,857

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	Year ended 31 August 2017	2018	2019	Six months ended 28 February 2019	29 February 2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expense (excluding directors' remuneration) *(note 8)*:						
Wages and salaries		17,656	20,702	23,976	12,661	16,198
Pension scheme contributions		4,478	4,648	5,375	2,236	2,303
		22,134	25,350	29,351	14,897	18,501
Depreciation of property, plant and equipment		18,069	18,578	18,977	10,369	12,991
Depreciation of right-of-use assets	*15*	483	483	483	242	242
Amortisation of other intangible asset*	*16*	1,242	626	468	258	468
Auditor's remuneration		–	–	–	–	–
Central heating cost		6,064	6,064	4,936	3,290	3,715
Bank interest income**	*5*	(102)	(372)	(473)	(247)	(140)
Government grants – related to income**/***	*5*	(13)	(287)	(51)	(51)	(64)
Listing expenses		–	–	581	–	13,092

* Amortisation was included in "Cost of sales" and "Administrative expenses" in profit or loss during the years ended 31 August 2017, 2018 and 2019, and the six months ended 28 February 2019 and 29 February 2020.

** Included in "Other income and gains" in profit or loss.

*** There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans and other borrowings	27,398	30,062	30,965	15,673	14,211
Interest on sale and leaseback liabilities	–	–	2,032	–	5,428
Subtotal	27,398	30,062	32,997	15,673	19,639
Less: Interest capitalised	(27,398)	(30,062)	(32,997)	(15,673)	(19,639)
	–	–	–	–	–

During the Relevant Periods, the interest capitalisation amount of the Group's borrowings has been included in property, plant and equipment. Please refer to note 14 for the relevant information.

8. DIRECTORS' REMUNERATION

Mr. Liu Laixiang (劉來祥) was appointed as an executive director and the chairman of the Company on 19 February 2020 and he is also the chief executive of the Company. Ms. Dong Ling (董玲) (formerly known as Ms. Dong Qingxin (董慶新)), Mr. Che Wenge (車文閣) and Mr. Wang Yunfu (王雲福) were appointed as executive directors on 19 February 2020. Mr. Zhang Su (張甦), Mr. Cao Shaoshan (曹少山) and Mr. Chan Ngai Fan (陳毅奮) were appointed as independent non-executive directors of the Company on 22 July 2020.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors which has been recorded in the financial statements of the Group's subsidiaries is set out below:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	649	684	786	377	450
Pension scheme contributions	11	14	19	9	9
	660	698	805	386	459

(a) Independent non-executive directors

There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods.

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Mr. Zhang Su	–	–	–	–	–
Mr. Cao Shaoshan	–	–	–	–	–
Mr. Chan Ngai Fan	–	–	–	–	–
	–	–	–	–	–

(b) Executive directors and the chief executive

2017	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Liu Laixiang (the chief executive)	–	90	–	90
Ms. Dong Ling	–	–	–	–
Mr. Che Wenge	–	424	–	424
Mr. Wang Yunfu	–	135	11	146
	–	649	11	660

2018	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Liu Laixiang (the chief executive)	–	91	–	91
Ms. Dong Ling	–	–	–	–
Mr. Che Wenge	–	422	–	422
Mr. Wang Yunfu	–	171	14	185
	–	684	14	698

2019	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Liu Laixiang				
(the chief executive).	–	102	–	102
Ms. Dong Ling	–	56	–	56
Mr. Che Wenge	–	425	–	425
Mr. Wang Yunfu.	–	203	19	222
	–	786	19	805

Six months ended 28 February 2019 (unaudited)	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Liu Laixiang				
(the chief executive).	–	52	–	52
Ms. Dong Ling	–	18	–	18
Mr. Che Wenge	–	214	–	214
Mr. Wang Yunfu.	–	93	9	102
	–	377	9	386

Six months ended 29 February 2020	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Liu Laixiang				
(the chief executive).	–	55	–	55
Ms. Dong Ling	–	44	–	44
Mr. Che Wenge	–	216	–	216
Mr. Wang Yunfu.	–	135	9	144
	–	450	9	459

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 August 2017, 2018 and 2019, and the six months ended 28 February 2019 and 29 February 2020 included 2, 2, 2, 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 3, 3, 3, 3 and 3 highest paid employees, respectively, who are not a director nor chief executive of the Group during the years ended 31 August 2017, 2018 and 2019, and the six months ended 28 February 2019 and 29 February 2020, are as follows:

	Year ended 31 August			Six months ended	
	2017	**2018**	**2019**	**28 February 2019**	**29 February 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	655	663	671	408	482
Pension scheme contributions	11	14	19	6	–
	666	677	690	414	482

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 August			Six months ended	
	2017	**2018**	**2019**	**28 February 2019**	**29 February 2020**
				(Unaudited)	
Nil to HK$1,000,000	3	3	3	3	3

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group. None of the five highest paid employees waived any remuneration during the Relevant Periods.

10. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, it is not subject to income tax from business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. In accordance with the tax compliance confirmations obtained from local tax authorities, Heilongjiang College as a school whose sponsor does not require reason able returns did not pay corporate income tax for the income from the provision of formal educational services and has enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised by Heilongjiang College for the income from the provision of formal educational services during the Relevant Periods.

Except for Heilongjiang College, all of the Group's subsidiaries established in the PRC were subject to corporate income tax at a rate of 25% during the Relevant Periods.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

Corporate income tax of the Group has been provided at the applicable tax rate on the estimated taxable profits arising in Mainland China during the Relevant Periods. The major components of income tax expense of the Group are as follows:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax – Mainland China	–	–	–	–	–
Total tax charge for the year/period from continuing operations	–	–	–	–	–
Total tax charge for the year/period from a discontinued operation: PRC LAT	2,060	371	531	175	4,301
	2,060	371	531	175	4,301

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax from continuing operations . . .	48,716	57,154	70,357	41,886	30,510
Profit/(loss) before tax from a discontinued operation. .	500	(504)	385	(312)	2,824
	49,216	56,650	70,742	41,574	33,334
Tax at the statutory tax rate of 25%.	12,304	14,163	17,686	10,394	8,334
Income not subject to tax . .	(12,544)	(14,787)	(18,108)	(10,567)	(9,016)
Expenses not deductible for tax	304	430	449	60	93
Tax losses not recognised . .	451	287	106	157	1,664
Provision for LAT.	2,060	371	531	175	4,301
Tax effect of LAT.	(515)	(93)	(133)	(44)	(1,075)
Tax charge at the Group's effective rate	2,060	371	531	175	4,301
Tax charge from continuing operations at the effective rate	–	–	–	–	–
Tax charge from a discontinued operation at the effective rate	2,060	371	531	175	4,301

Pursuant to the PRC Enterprise Income Tax Law, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 August 2017, 2018 and 2019 and 29 February 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 August 2017, 2018 and 2019 and 29 February 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB222,374,000, RMB265,450,000, RMB318,429,000 and RMB345,198,000, respectively.

As at 31 August 2017, 2018 and 2019 and 29 February 2020, the Group had tax losses arising in Mainland China of RMB26,412,000, RMB22,166,000, RMB23,315,000 and RMB6,447,000, respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DISCONTINUED OPERATION

Harbin Xiangge underwent a demerger in August 2019 as part of the Reorganisation to dispose of the property development business of the Group and the demerger was completed in January 2020. As a result of the demerger, Harbin Xiangge continued to hold Heilongjiang College, which forms the principal business of the Group, and Yincheng Zhiye was established to hold the property development business then held by Harbin Xiangge. Immediately after the demerger, the total registered capital of Harbin Xiangge was reduced to RMB40 million, and all Harbin Xiangge's assets and liabilities, including all equity interests in Harbin Junfengda Property Development Limited (哈爾濱竣峰達房地產開發有限公司) ("Junfengda Property") and Harbin City Xinyuetong Micro-lending Limited (哈爾濱市鑫閱通小額貸款有限責任公司) ("Xinyuetong Micro-lending"), except for the assets and liabilities related to Heilongjiang College and all the school sponsor's interest therein (collectively the "Disposal Group"), were disposed of and transferred to Yincheng Zhiye by way of demerger.

As at 31 August 2019, the resolution for demerger was authorised by shareholders and the demerger had not been completed. Accordingly, the assets and liabilities of the Disposal Group were reclassified as assets of a disposal group classified as held for distribution on demerger and liabilities directly associated with the assets classified as held for distribution on demerger, respectively. The property development business undertaken by the Disposal Group was discontinued upon the authorisation of the demerger.

The operation results of the Disposal Group for each of the Relevant Periods are presented below:

	Year ended 31 August			Six months ended	
	2017	**2018**	**2019**	**28 February 2019**	**29 February 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	55,961	11,574	8,932	5,105	10,422
Other income and gains	27	12	9	4	6
Cost of sales	(52,069)	(10,002)	(7,422)	(4,657)	(7,039)
Expenses	(3,200)	(2,233)	(857)	(487)	(486)
Impairment losses/(write-back of impairment losses), net	(219)	145	(277)	(277)	(79)
Profit/(loss) before tax from the discontinued operation	500	(504)	385	(312)	2,824
Income tax:					
LAT	(2,060)	(371)	(531)	(175)	(4,301)
Loss for the year/period from the discontinued operation	(1,560)	(875)	(146)	(487)	(1,477)

The major classes of assets and liabilities of the Disposal Group classified as held for distribution on demerger as at 31 August 2019 are as follows:

	As at 31 August 2019
	RMB'000
Assets	
Property, plant and equipment	52
Investment in an associate	–
Other non-current assets	10,000
Inventories	23,526
Trade receivables	122
Prepayments, other receivables and other assets	6,363
Restricted bank deposits	5,430
Cash and cash equivalents	1,302
Assets of a disposal group classified as held for distribution on demerger	46,795
Liabilities	
Trade payables	7,450
Other payables and accruals	856
Amounts due to shareholders	13,183
Amount due to a related party	31,599
Liabilities directly associated with the assets classified as held for distribution on demerger	53,088
Net liabilities directly associated with the Disposal Group	(6,293)

As at 31 August 2019, the Group's inventories included in the Disposal Group with a carrying amount of RMB15,673,000 were pledged as security for the Group's bank and other borrowings, as further detailed in note 24 to the Historical Financial Information.

The net cash flows incurred by the Disposal Group are as follows:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Operating activities	610	4,086	2,497	1,426	4,996
Investing activities	–	–	(5)	(4)	–
Financing activities	(3,803)	(3,178)	(3,090)	(2,188)	(4,917)
Net cash inflow/(outflow)	(3,193)	908	(598)	(766)	79

The demerger was completed on 20 January 2020 and the net liabilities disposed of are as follows:

	As at 20 January 2020
	RMB'000
Property, plant and equipment	50
Investment in an associate	–
Other non-current assets	10,000
Inventories	16,516
Trade receivables	84
Prepayments, other receivables and other assets	7,674
Restricted bank deposits	5,350
Cash and cash equivalents	1,242
Trade payables	(7,321)
Other payables and accruals	(1,500)
Amounts due to shareholders	(13,183)
Amount due to a related party	(26,682)
Reserves	(7,770)
Satisfied by:	
Cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the demerger is as follows:

	Six months ended 29 February 2020
	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(1,242)
Net outflow of cash and cash equivalents in respect of the demerger	(1,242)

12. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purposes of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Devices and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2017						
At 31 August 2016 and 1 September 2016:						
Cost	490,536	25,087	4,078	33,140	419,970	972,811
Accumulated depreciation	(51,380)	(13,204)	(1,807)	(20,363)	–	(86,754)
Net carrying amount	439,156	11,883	2,271	12,777	419,970	886,057
At 1 September 2016, net of accumulated depreciation	439,156	11,883	2,271	12,777	419,970	886,057
Additions	117,563	878	160	1,146	64,728	184,475
Depreciation provided during the year	(12,794)	(2,516)	(346)	(2,519)	–	(18,175)
At 31 August 2017, net of accumulated depreciation	543,925	10,245	2,085	11,404	484,698	1,052,357
At 31 August 2017						
Cost	608,099	25,965	4,238	34,286	484,698	1,157,286
Accumulated depreciation	(64,174)	(15,720)	(2,153)	(22,882)	–	(104,929)
Net carrying amount	543,925	10,245	2,085	11,404	484,698	1,052,357

	Buildings	Devices and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2018						
At 31 August 2017 and 1 September 2017:						
Cost	608,099	25,965	4,238	34,286	484,698	1,157,286
Accumulated depreciation	(64,174)	(15,720)	(2,153)	(22,882)	–	(104,929)
Net carrying amount	543,925	10,245	2,085	11,404	484,698	1,052,357
At 1 September 2017, net of accumulated depreciation	543,925	10,245	2,085	11,404	484,698	1,052,357
Additions	–	1,169	–	1,832	96,869	99,870
Depreciation provided during the year	(13,481)	(2,382)	(337)	(2,411)	–	(18,611)
Transfers	7,825	–	–	–	(7,825)	–
At 31 August 2018, net of accumulated depreciation	538,269	9,032	1,748	10,825	573,742	1,133,616
At 31 August 2018						
Cost	615,924	27,134	4,238	36,118	573,742	1,257,156
Accumulated depreciation	(77,655)	(18,102)	(2,490)	(25,293)	–	(123,540)
Net carrying amount	538,269	9,032	1,748	10,825	573,742	1,133,616

	Buildings	Devices and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2019						
At 31 August 2018 and 1 September 2018:						
Cost	615,924	27,134	4,238	36,118	573,742	1,257,156
Accumulated depreciation	(77,655)	(18,102)	(2,490)	(25,293)	–	(123,540)
Net carrying amount	538,269	9,032	1,748	10,825	573,742	1,133,616
At 1 September 2018, net of accumulated depreciation	538,269	9,032	1,748	10,825	573,742	1,133,616
Additions	148	1,678	722	3,205	231,177	236,930
Disposals	–	–	(16)	–	–	(16)
Assets included in a discontinued operation *(note 11)*	–	(10)	(7)	(35)	–	(52)
Depreciation provided during the year	(13,660)	(2,430)	(371)	(2,537)	–	(18,998)
At 31 August 2019, net of accumulated depreciation	524,757	8,270	2,076	11,458	804,919	1,351,480
At 31 August 2019						
Cost	616,072	28,637	4,536	38,750	804,919	1,492,914
Accumulated depreciation	(91,315)	(20,367)	(2,460)	(27,292)	–	(141,434)
Net carrying amount	524,757	8,270	2,076	11,458	804,919	1,351,480

	Buildings	Devices and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
29 February 2020						
At 31 August 2019 and 1 September 2019:						
Cost	616,072	28,637	4,536	38,750	804,919	1,492,914
Accumulated depreciation	(91,315)	(20,367)	(2,460)	(27,292)	–	(141,434)
Net carrying amount	524,757	8,270	2,076	11,458	804,919	1,351,480
At 1 September 2019, net of accumulated depreciation	524,757	8,270	2,076	11,458	804,919	1,351,480
Additions	1,150	13,716	60	7,733	53,567	76,226
Transfers	413,754	–	–	935	(414,689)	–
Depreciation provided during the period	(9,785)	(1,448)	(204)	(1,554)	–	(12,991)
At 29 February 2020, net of accumulated depreciation	929,876	20,538	1,932	18,572	443,797	1,414,715
At 29 February 2020						
Cost	1,030,976	42,353	4,596	47,418	443,797	1,569,140
Accumulated depreciation	(101,100)	(21,815)	(2,664)	(28,846)	–	(154,425)
Net carrying amount	929,876	20,538	1,932	18,572	443,797	1,414,715

As at 31 August 2017, 2018 and 2019 and 29 February 2020, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with aggregate net carrying amounts of approximately nil, RMB7,825,000, RMB7,676,000 and RMB220,030,000, respectively. As at the end of each of the Relevant Periods, the directors were still in the process of obtaining these certificates.

The net carrying amounts of the Group's fixed assets held under sale and leaseback liabilities included in the total amounts of devices and equipment and furniture and fixtures and others were nil, nil, RMB19,855,000 and RMB24,298,000 as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively.

Additions to construction in progress during the Relevant Periods included interest capitalised amounting to RMB27,398,000, RMB30,062,000, RMB32,997,000 and RMB19,639,000 for the years ended 31 August 2017, 2018 and 2019, and the six months ended 29 February 2020, respectively, in respect of specific bank and other borrowings.

15. LEASES

The Group as a lessee

Lump sum payments were made upfront to acquire the leased land from the owners, and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the years/periods are as follows:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid land lease payments				
Cost:				
As at beginning and end of the year/period	21,348	21,348	21,348	21,348
Accumulated depreciation:				
As at beginning of year/period	(3,435)	(3,918)	(4,401)	(4,884)
Depreciation recognised during the year/period	(483)	(483)	(483)	(242)
As at end of the year/period	(3,918)	(4,401)	(4,884)	(5,126)
Net book value				
As at end of year/period	17,430	16,947	16,464	16,222

The Group's land use rights are either purchased from or allocated by the government. For the purchased land use rights, the amounts are amortised on a straight-line basis over lease terms as stated in the relevant land use right certificates. For the land use right allocated by the government, there is no definite life of use stated in the relevant land use right certificates. The estimated useful life is 50 years which is the best estimate based on the normal terms in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

At 31 August 2017, 2018 and 2019 and 29 February 2020, the Group's right-of-use assets with carrying amounts of RMB9,890,000, RMB9,609,000, RMB9,328,000 and RMB9,187,000, respectively, were pledged as security for the Group's bank loans, as further detailed in note 24 to the Historical Financial Information.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 August			Six months ended	
	2017	**2018**	**2019**	**28 February 2019**	**29 February 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation charge of right-of-use assets	483	483	483	242	242

The Group as a lessor

The Group leases certain of its building units under operating lease arrangements. Leases for buildings were negotiated for terms of one to five years. Rental income recognised by the Group during the years ended 31 August 2017, 2018 and 2019, and the six months ended 28 February 2019 and 29 February 2020 was RMB632,000, RMB1,064,000, RMB675,000, RMB202,000 (unaudited) and RMB377,000, respectively, details of which are included in note 5 to the Historical Financial Information.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	299	237	387	687
In the second year	68	237	385	284
In the third year	68	234	177	159
In the fourth year	65	27	150	150
In the fifth year	27	–	113	38
	527	735	1,212	1,318

16. OTHER INTANGIBLE ASSET

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Software				
At beginning of year/period				
Cost	6,568	6,838	7,068	8,195
Accumulated amortisation	(4,770)	(6,012)	(6,638)	(7,106)
Net carrying amount	1,798	826	430	1,089
Cost at beginning of year/period, net of accumulated amortisation	1,798	826	430	1,089
Additions	270	230	1,127	2,438
Amortisation provided during the year/period	(1,242)	(626)	(468)	(468)
At end of year/period	826	430	1,089	3,059
At end of year/period				
Cost	6,838	7,068	8,195	10,633
Accumulated amortisation	(6,012)	(6,638)	(7,106)	(7,574)
Net carrying amount	826	430	1,089	3,059

17. INVESTMENT IN AN ASSOCIATE

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	–	–	–
Impairment	–	–	–	–
	–	–	–	–

As at 31 August 2017, 2018 and 2019, the Group held a 40% equity interest in Xinyuetong Micro-lending. The management of the Group considered that the Group has significant influence over Xinyuetong Micro-lending and it was therefore classified as an investment in an associate. The investment in an associate is classified as held for distribution on demerger as further explained in note 11.

Set out below are the details of the associate of the Group as of 31 August 2017, 2018 and 2019.

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group Year 2017	Year 2018	Year 2019	Principal activity
Xinyuetong Micro-lending	Ordinary shares	PRC/ Mainland China	40%	40%	40%	Provision of micro-lending services

The Group has discontinued the recognition of its share of losses of the associate, Xinyuetong Micro-lending, because the share of losses of the associate exceeded the Group's investment in the associate and the Group has no obligation to take up further losses according to the article of association of Xinyuetong Micro-lending.

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Share of the associate's profit for the year/period	–	–	–	–	–
Share of the associate's other comprehensive income	–	–	–	–	–
Share of the associate's total comprehensive income	–	–	–	–	–
Aggregate carrying amount of the Group's investment in the associate	–	–	–	–	–

18. INVENTORIES

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	10,000	10,000	–	–
Properties held for sale	30,800	20,875	–	–
	40,800	30,875	–	–

Notes:

The Group's properties under development are situated on leasehold land in Mainland China.

At 31 August 2017, 2018 and 2019 and 29 February 2020, the Group's inventories with carrying amounts of RMB10,000,000, RMB12,417,000, nil and nil, respectively, were pledged as security for the Group's bank and other borrowings, as further detailed in note 24 to the Historical Financial Information.

19. TRADE RECEIVABLES

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	3,521	1,030	–	–
Impairment	(355)	(520)	–	–
	3,166	510	–	–

Trade receivables represent receivables from the sale of properties from tenants. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of loss allowance, is as follows:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,099	265	–	–
1 to 2 years	42	230	–	–
2 to 3 years	25	15	–	–
	3,166	510	–	–

The trade receivables included in a Disposal Group (note 11) as at 31 August 2019 amounted to RMB122,000, of which RMB96,000 is aged within one year; RMB11,000 is aged between one year and two years and RMB15,000 is aged between two and three years.

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	414	355	520	–
Impairment losses/(write-back of impairment losses), net	(59)	165	(295)	–
Transferred to assets classified as held for distribution on demerger	–	–	(225)	–
At end of year/period	355	520	–	–

Impairment under IFRS 9

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 August 2017	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	6.16%	61.61%	77.27%	100.00%	
Gross carrying amount (RMB'000) . .	3,302	110	109	–	3,521
Expected credit losses (RMB'000). . .	203	68	84	–	355

As at 31 August 2018	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	6.16%	61.61%	77.27%	100.00%	
Gross carrying amount (RMB'000) . .	282	598	66	84	1,030
Expected credit losses (RMB'000). . .	17	368	51	84	520

As at 31 August 2019	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Expected credit loss rate	6.16%	61.61%	77.27%	100.00%	
Gross carrying amount (RMB'000) . .	102	29	67	149	347
Expected credit losses (RMB'000). . .	6	18	52	149	225

There was no change in the ECL rates during the Relevant Periods, which was mainly because no significant changes in the historical default rates of trade receivables and economic conditions were noted, based on which the ECL rates are determined.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS AND OTHER NON-CURRENT ASSETS

Prepayments, other receivables and other assets

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid listing expenses	–	–	1,572	4,298
Prepayments for training expenses	–	–	–	2,150
Rental receivables	345	293	255	55
Staff advances	429	578	815	585
Deposits and other receivables	7,415	10,282	2,605	3,182
	8,189	11,153	5,247	10,270
Impairment allowance	(60)	(40)	–	–
	8,129	11,113	5,247	10,270

As at 31 August 2017, 2018 and 2019 and 29 February 2020, the provisions for impairment of financial assets included in prepayments, other receivables and other assets above were categorised in stage 1 for measurement of ECLs. As no comparable companies with credit ratings can be identified, ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rates applied as at 31 August 2017, 2018 and 2019 and 29 February 2020 were 0.77%, 0.38%, 1.11% and minimal, respectively. These financial assets included in the above balances relate to receivables for which there was no recent history of default and which were neither past due nor impaired.

The financial assets included in prepayments, other receivables and other assets above are interest-free and are not secured with collateral.

The movements in the loss allowance for impairment of other receivables are as follows:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	220	60	40	–
Impairment losses/(write-back of impairment losses), net	(160)	(20)	18	–
Transferred to assets classified as held for distribution on demerger	–	–	(58)	–
At end of year/period	60	40	–	–

Other non-current assets

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Performance deposits paid to secure:				
Long-term bank loans	10,000	10,000	–	–
Long-term sale and leaseback liabilities	–	–	3,000	4,200
	10,000	10,000	3,000	4,200

The other non-current assets included in the Disposal Group (note 11) as at 31 August 2019 amounted to RMB10,000,000 represents the performance deposits paid to a third party company which provided guarantees to secure the long-term bank loans of the Group.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	129,605	122,396	139,932	31,124
Less: Restricted bank deposits*	(5,596)	(5,555)	–	–
Cash and cash equivalents	124,009	116,841	139,932	31,124

* Pursuant to relevant regulations in the PRC, the property development company of the Group is required to place certain amounts of cash in designated bank accounts for specified use. As at 31 August 2017, 2018 and 2019 and 29 February 2020, such restricted cash amounted to RMB5,596,000, RMB5,555,000, nil and nil, respectively.

As at 31 August 2017, 2018 and 2019 and 29 February 2020, the provisions for impairment of cash and cash equivalents and restricted bank deposits were assessed to be immaterial based on 12-month ECLs.

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2 to 3 years	460	–	–	–
Over 3 years	12,140	8,568	–	–
	12,600	8,568	–	–

The trade payables included in a disposal group (note 11) of RMB7,450,000 as at 31 August 2019 are aged over three years.

The trade payables are non-interest-bearing.

23. OTHER PAYABLES AND ACCRUALS

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for purchase of property, plant and equipment	22,342	57,224	146,825	76,484
Payables for co-operation costs	39,022	36,022	36,022	26,404
Miscellaneous advances received from students *(Note (a))*	5,353	8,503	13,547	16,591
Payables for salaries and welfares	2,304	2,523	2,129	4,453
Payables for labour union expenditure	1,028	1,121	1,285	1,304
Payables for central heating cost	–	–	1,940	645
Payables for utilities	–	–	–	441
Payables for listing expenses	–	–	–	8,295
Other tax payables	451	294	60	2
Other payables	25,172	5,915	6,170	7,343
	95,672	111,602	207,978	141,962
Current portion	95,672	111,602	94,103	65,704
Non-current portion:				
Payables for purchase of property, plant and equipment	–	–	113,875	57,854
Payables for co-operation costs included in other long term liability	–	–	–	18,404

The above balances are unsecured and non-interest-bearing.

Note (a): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS

	As at 31 August 2017		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Current portion of long-term bank loans – secured	5.15%-6.65%	2018	24,173
Other borrowings – unsecured	8.00%	2018	3,264
			27,437
Non-current			
Bank loans – secured	5.15%-6.65%	2019-2025	172,000
Other borrowings – unsecured	4.00%-8.00%	2019-2024	442,767
			614,767
			642,204

	As at 31 August 2018		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Current portion of long-term bank loans – secured	5.15% – 6.65%	2019	38,921
Non-current			
Bank loans – secured	5.15% – 6.65%	2020-2025	166,000
Other borrowing – unsecured	4.00%	2024	444,167
Other borrowings – secured	7.50%	2019	10,000
			620,167
			659,088

	As at 31 August 2019		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Sale and leaseback liabilities	8.92%-11.36%	2020	18,265
Current portion of long-term bank loans – secured	5.15%-6.65%	2020	29,375
Other borrowings – secured	7.50%-7.80%	2019-2020	15,622
			63,262
Non-current			
Sale and leaseback liabilities	8.92%-11.36%	2021-2024	54,542
Bank loans – secured	5.15%-6.65%	2021-2025	127,000
Other borrowing – unsecured	4.00%	2024	460,567
Other borrowings – secured	7.80%	2020-2021	25,000
			667,109
			730,371

	As at 29 February 2020		
	Effective interest rate (%)	**Maturity**	*RMB'000*
Current			
Sale and leaseback liabilities	8.19%-11.36%	2021	49,893
Current portion of long-term bank loans – secured	5.15%-6.65%	2020	34,232
Other borrowings – secured	7.80%	2020	10,385
			94,510
Non-current			
Sale and leaseback liabilities	8.19%-11.36%	2022-2024	112,242
Bank loans – secured	5.15%-6.65%	2021-2025	91,000
Other borrowing – unsecured	4.00%	2024	468,767
Other borrowings – secured	7.80%	2021	15,000
			687,009
			781,519

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Sale and leaseback liabilities:				
Within one year	–	–	18,265	49,893
In the second year	–	–	18,631	51,108
In the third to fifth years, inclusive	–	–	35,911	61,134
	–	–	72,807	162,135
Bank loans repayable:				
Within one year	24,173	38,921	29,375	34,232
In the second year	26,000	39,000	60,000	49,000
In the third to fifth years, inclusive	96,000	90,000	43,000	42,000
Beyond five years	50,000	37,000	24,000	–
	196,173	204,921	156,375	125,232
Other borrowings repayable:				
Within one year	3,264	–	15,622	10,385
In the second year	15,000	10,000	10,000	15,000
In the third to fifth years, inclusive	–	–	15,000	468,767
Beyond five years	427,767	444,167	460,567	–
	446,031	454,167	501,189	494,152
	642,204	659,088	730,371	781,519

Notes:

All of the Group's bank and other borrowings and interest accruals are denominated in RMB.

Certain of the Group's bank and other borrowings and interest accruals are secured by:

(a) Pledges over the following assets:

The Group's assets:

(i) Pledge over the Group's right-of-use assets situated in Mainland China, which had an aggregate carrying value of RMB9,890,000, RMB9,609,000, RMB9,328,000 and RMB9,187,000 for bank loans and interest accruals of RMB69,744,000, RMB58,625,000, RMB33,356,000 and RMB33,351,000 as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively; and

(ii) Pledge over the Group's inventories, which had an aggregate carrying value of RMB10,000,000 and RMB12,417,000 for bank and other borrowings and interest accruals of RMB69,744,000 and RMB68,659,000 as at 31 August 2017 and 2018, respectively; pledge over the Group's inventories included in the Disposal Group with a carrying amount of RMB15,673,000 for bank and other borrowings and interest accruals of RMB73,978,000 as at 31 August 2019

Properties which belong to the following related parties pledged for bank and other borrowings and interest accruals of:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Liu Laixiang and Ms. Dong Ling	26,202	23,178	48,608	40,495
Yincheng Zhiye	–	–	–	25,385
Junfengda Property	–	–	–	33,351
	26,202	23,178	48,608	99,231

Time deposits amounting to RMB10,000,000 which belong to the following third party pledged for bank loans and interest accruals of:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhonghong United Financing Guarantee Limited ("Zhonghong United Financing") 中鴻聯合融資擔保有限公司	96,988	91,936	82,844	76,771

(b) Pledge of a 100% equity interest of Harbin Xiangge for bank loans and interest accruals of nil, RMB30,399,000, RMB20,266,000 and nil as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively

(c) Pledge of rights over tuition fees and boarding fees of Heilongjiang College for bank loans and interest accruals of RMB69,744,000, RMB58,625,000, RMB33,356,000 and RMB33,351,000 as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively

Certain of the Group's bank and other borrowings and interest accruals are guaranteed by:

(a) The following related parties:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Amount of bank and other borrowings and interest accruals guaranteed)			
Jointly, Mr. Liu Laixiang and Ms. Dong Ling	123,190	155,548	234,678	239,294
Jointly, Mr. Che Wenge and Heilongjiang Huizhi Jinhe Software Engineering Company Limited ("Huizhi Jinhe Software") 黑龍江匯智金合軟件工程股份有限公司	–	30,399	20,266	–
Jointly, Mr. Che Wenge and Mr. Wang Yunfu	–	–	30,468	25,385
Daqing Xiangge Property Development Limited ("Daqing Property") 大慶祥閣房地產開發有限公司	–	–	–	58,932
	123,190	185,947	285,412	323,611

(b) The following third parties:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Amount of bank and other borrowings and interest accruals guaranteed)			
Zhonghong United Financing	96,988	91,936	82,844	76,771
Harbin Jutufeng Agriculture Technology Company Limited 哈爾濱聚土豐農業科技有限公司	–	30,399	20,266	–
	96,988	122,335	103,110	76,771

25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 17 June 2019 with authorised share capital of US$50,000 divided into 5,000,000 shares with par value of US$0.01 per share. At the time of incorporation, the issued share capital of the Company was US$0.01, with one share of US$0.01. On 29 June 2019, the said share was transferred to Shuren Education Limited for a consideration at par value. On the same date, the Company issued and allotted 149 shares to Shuren Education Limited and 100 shares to Junhua Education Limited for a consideration at par value.

Pursuant to the written resolution of the shareholders of the Company dated 22 July 2020, the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$10,000,000 divided into 1,000,000,000 shares of US$0.01 each.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information. The relevant notes to certain movements of the Group's equity during the Relevant Periods are included below:

Capital reserve

The capital reserve of the Group represents the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries.

Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) statutory surplus reserve of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, private schools that do not require reasonable returns are required to appropriate to the development fund not less than 25% of the net increase of net assets of the relevant schools, as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of education equipment.

27. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	21,044	19,236	16,406	–

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. Upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans.

The Group did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore the initial fair value is assessed to be immaterial and no further subsequent provision has been made in connection with the guarantees.

28. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Buildings	801	131,903	29,027	776

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Prepayments for purchases of property, plant and equipment of RMB107,223,000, RMB4,528,000, RMB7,265,000, RMB7,265,000 (unaudited) and RMB12,684,000 were transferred to property, plant and equipment for the years ended 31 August 2017, 2018 and 2019, and the six months ended 28 February 2019 and 29 February 2020, respectively.

(b) Changes in liabilities arising from financing activities

Year ended 31 August 2017	**Interest-bearing bank and other borrowings and interest accruals**	**Amounts due to shareholders**	**Amount due to a related party**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 September 2016	641,175	39,464	38,854
Changes from financing cash flows	(26,369)	–	(3,803)
Interest accretion	27,398	–	–
As at 31 August 2017	642,204	39,464	35,051

Year ended 31 August 2018	Interest-bearing bank and other borrowings and interest accruals	Amounts due to shareholders	Amount due to a related party
	RMB'000	*RMB'000*	*RMB'000*
As at 1 September 2017	642,204	39,464	35,051
Changes from financing cash flows	(13,178)	(10,331)	2,883
Interest accretion	30,062	–	–
As at 31 August 2018	659,088	29,133	37,934

Year ended 31 August 2019	Interest-bearing bank and other borrowings and interest accruals	Amounts due to shareholders	Amount due to a related party
	RMB'000	*RMB'000*	*RMB'000*
As at 1 September 2018	659,088	29,133	37,934
Changes from financing cash flows	38,286	(13,150)	(3,090)
Interest accretion	32,997	–	–
Included in a disposal group *(note 11)*	–	(13,183)	(31,599)
As at 31 August 2019	730,371	2,800	3,245

Six months ended 29 February 2020	Interest-bearing bank and other borrowings and interest accruals	Amounts due to shareholders	Amount due to a related party
	RMB'000	*RMB'000*	*RMB'000*
As at 1 September 2019	730,371	2,800	3,245
Changes from financing cash flows	31,509	(2,800)	(3,245)
Interest accretion	19,639	–	–
As at 29 February 2020	781,519	–	–

Six months ended 28 February 2019 (unaudited)	Interest-bearing bank and other borrowings and interest accruals	Amounts due to shareholders	Amount due to a related party
	RMB'000	*RMB'000*	*RMB'000*
As at 1 September 2018	659,088	29,133	37,934
Changes from financing cash flows (unaudited)	(2,101)	(1,810)	(2,188)
Interest accretion (unaudited)	15,673	–	–
As at 28 February 2019 (unaudited)	672,660	27,323	35,746

30. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Names and relationships of related parties

Name	Relationship
Ms. Dong Ling 董玲	One of the controlling shareholders
Mr. Liu Laixiang 劉來祥	One of the controlling shareholders
Mr. Che Wenge 車文閣	One of the directors
Mr. Wang Yunfu 王雲福	One of the directors
Daqing Xiangge Enterprise Management Limited ("Daqing Xiangge") 大慶市祥閣企業管理有限公司	Company controlled by Mr. Liu Laixiang
Huizhi Jinhe Software	Company controlled by Mr. Liu Laixiang
Daqing Property	Company controlled by Mr. Liu Laixiang
Yincheng Zhiye	Company controlled by Ms. Dong Ling
Junfengda Property	A subsidiary of Harbin Xiangge until 20 January 2020 and of Yincheng Zhiye since 20 January 2020

(b) Transactions with related parties

	Year ended 31 August			Six months ended	
	2017	2018	2019	28 February 2019	29 February 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Repayment to shareholders Ms. Dong Ling and Mr. Liu Laixiang	–	10,331	13,150	1,810	2,800
Advance from a related party Daqing Xiangge	46,145	15,719	22,133	14,440	7,150
Repayment to a related party Daqing Xiangge	49,948	12,836	25,223	16,628	15,312

(c) Guarantees provided by related parties

Related parties listed in note 24 provided guarantees for the Group's interest-bearing bank and other borrowings and interest accruals free of charge.

Certain of the Group's interest-bearing bank and other borrowings and interest accruals with aggregate carrying amounts as at 31 August 2017, 2018 and 2019 and 29 February 2020 of RMB26,202,000, RMB23,178,000, RMB48,608,000 and RMB99,231,000, respectively, were secured by pledges over the properties owned by related parties listed in note 24.

(d) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances with its related parties as at 31 August 2017, 2018 and 2019 and 29 February 2020 as follows:

Amounts due to shareholders

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Dong Ling and Mr. Liu Laixiang	39,464	29,133	2,800	–

Amount due to a related party

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Daqing Xiangge	35,051	37,934	3,245	–

The outstanding balances with shareholders and a related party above are unsecured, interest-free, repayable on demand and non-trade in nature.

(e) Compensation of key management personnel of the Group

	Year ended 31 August			Six months ended	
	2017	**2018**	**2019**	**28 February 2019**	**29 February 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	929	977	1,087	533	603
Pension contributions	26	32	39	14	19
	955	1,009	1,126	547	622

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
Other non-current assets	10,000	10,000	3,000	4,200
Trade receivables	3,166	510	–	–
Financial assets included in prepayments, other receivables and other assets	7,700	10,535	2,860	3,237
Restricted bank deposits	5,596	5,555	–	–
Cash and cash equivalents	124,009	116,841	139,932	31,124
	150,471	143,441	145,792	38,561

	As at 31 August			As at 29 February
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost				
Trade payables	12,600	8,568	–	–
Financial liabilities included in other payables and accruals	86,536	99,161	77,082	43,354
Amounts due to shareholders	39,464	29,133	2,800	–
Amount due to a related party	35,051	37,934	3,245	–
Interest-bearing bank and other borrowings and interest accruals – current	27,437	38,921	63,262	94,510
Interest-bearing bank and other borrowings and interest accruals – non-current	614,767	620,167	667,109	687,009
Payables for purchase of property, plant and equipment – non-current	–	–	113,875	57,854
Other long term liability	–	–	–	18,404
	815,855	833,884	927,373	901,131

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	As at 31 August			As at 29 February	As at 31 August			As at 29 February
	2017	2018	2019	2020	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets								
Other non-current assets	10,000	10,000	3,000	4,200	7,193	7,572	1,753	2,807

	Carrying amounts				Fair values			
	As at 31 August			As at 29 February	As at 31 August			As at 29 February
	2017	2018	2019	2020	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Interest-bearing bank and other borrowings and interest accruals . .	642,204	659,088	730,371	781,519	602,937	623,008	698,286	751,965
Payables for purchase of property, plant and equipment – non-current	–	–	113,875	57,854	–	–	113,875	57,854
Other long term liability	–	–	–	18,404	–	–	–	18,404
	642,204	659,088	844,246	857,777	602,937	623,008	812,161	828,223

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due to shareholders and an amount due to a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments.

The fair values of other non-current assets, interest-bearing bank and other borrowings and interest accruals, payables for purchase of property, plant and equipment and other long term liability have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for other non-current assets, interest-bearing bank and other borrowings and interest accruals, payables for purchase of property, plant and equipment and other long term liability as at the end of each of the Relevant Periods were assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets or liabilities measured at fair value as at 31 August 2017, 2018 and 2019 and 29 February 2020.

During the years ended 31 August 2017, 2018 and 2019, and the six months ended 29 February 2020, there were no transfers of fair value measurement between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of each of the Relevant Periods in which they occur.

Assets for which fair values are disclosed:

As at 31 August 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other non-current assets	–	7,193	–	7,193

As at 31 August 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other non-current assets	–	7,572	–	7,572

As at 31 August 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other non-current assets	–	1,753	–	1,753

As at 29 February 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other non-current assets	–	2,807	–	2,807

Liabilities for which fair values are disclosed:

As at 31 August 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings and interest accruals	–	602,937	–	602,937

As at 31 August 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings and interest accruals . .	–	623,008	–	623,008

As at 31 August 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings and interest accruals . .	–	698,286	–	698,286
Payables for purchase of property, plant and equipment – non-current	–	113,875	–	113,875
	–	812,161	–	812,161

As at 29 February 2020

	Fair value measurement using			
	Quoted prices inactive markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings and interest accruals . .	–	751,965	–	751,965
Payables for purchase of property, plant and equipment - non-current	–	57,854	–	57,854
Other long term liability.	–	18,404	–	18,404
	–	828,223	–	828,223

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and interest accruals and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, other non-current assets, other payables and accruals, amounts due to shareholders, an amount due to a related party, payables for purchase of property, plant and equipment and other long term liability, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 24. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each of the Relevant Periods and the Group assumed that the amount outstanding at the end of each of the Relevant Periods was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 August 2017, 2018 and 2019, and the six months ended 29 February 2020 would decrease/increase by RMB784,000, RMB690,000, RMB631,000 and RMB488,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank loans with variable rates.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group has no concentration of credit risk from third party debtors. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets and other non-current assets.

Cash and cash equivalents and restricted bank deposits

As of 31 August 2017, 2018 and 2019 and 29 February 2020, substantially all of the bank deposits were deposited with major financial institutions established in the PRC, which management believes are of high credit quality without significant credit risk. The expected credit loss is approximately zero.

Trade receivables

All of the trade receivables have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial positions, credit history of failure to make payments on their contractually due dates, the existence of forecast changes in the market or environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by counterparties is low.

Financial assets included in prepayments, other receivables and other assets and other non-current assets

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Relevant Periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Maximum exposure and year/period-end staging as at 31 August 2017, 2018 and 2019 and 29 February 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 August 2017, 2018 and 2019 and 29 February 2020. The amounts presented are gross carrying amounts for financial assets.

	As at 31 August 2017				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	3,521	3,521
Financial assets included in prepayments, other receivables and other assets					
– Normal**	7,760	–	–	–	7,760
Restricted bank deposits					
– Not yet past due	5,596	–	–	–	5,596
Cash and cash equivalents					
– Not yet past due	124,009	–	–	–	124,009
Other non-current assets					
– Not yet past due	10,000	–	–	–	10,000
	147,365	–	–	3,521	150,886

	As at 31 August 2018				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,030	1,030
Financial assets included in prepayments, other receivables and other assets					
– Normal**	10,575	–	–	–	10,575
Restricted bank deposits					
– Not yet past due	5,555	–	–	–	5,555
Cash and cash equivalents					
– Not yet past due	116,841	–	–	–	116,841
Other non-current assets					
– Not yet past due	10,000	–	–	–	10,000
	142,971	–	–	1,030	144,001

	As at 31 August 2019				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,860	–	–	–	2,860
Cash and cash equivalents					
– Not yet past due	139,932	–	–	–	139,932
Other non-current assets					
– Not yet past due	3,000	–	–	–	3,000
	145,792	–	–	–	145,792

	As at 29 February 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,237	–	–	–	3,237
Cash and cash equivalents					
– Not yet past due	31,124	–	–	–	31,124
Other non-current assets					
– Not yet past due	4,200	–	–	–	4,200
	38,561	–	–	–	38,561

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, sale and leaseback liabilities and other interest-bearing loans. The Group's policy is that not more than 75% of borrowings should mature in any 12-month period. 4%, 6%, 9% and 12% of the Group's debts would mature in less than one year as at 31 August 2017, 2018 and 2019 and 29 February 2020, respectively, based on the carrying value of borrowings reflected in the Historical Financial Information.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on contractual undiscounted payments, was as follows:

	As at 31 August 2017				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	12,600	–	–	–	12,600
Financial liabilities included in other payables and accruals	86,536	–	–	–	86,536
Interest-bearing bank and other borrowings and interest accruals	–	30,255	162,357	598,004	790,616
Amounts due to shareholders	39,464	–	–	–	39,464
Amount due to a related party	35,051	–	–	–	35,051
	173,651	30,255	162,357	598,004	964,267
Financial guarantees issued: Maximum amounts guaranteed	21,044	–	–	–	21,044

	As at 31 August 2018				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	8,568	–	–	–	8,568
Financial liabilities included in other payables and accruals	99,161	–	–	–	99,161
Interest-bearing bank and other borrowings and interest accruals	–	44,169	159,546	582,839	786,554
Amounts due to shareholders	29,133	–	–	–	29,133
Amount due to a related party	37,934	–	–	–	37,934
	174,796	44,169	159,546	582,839	961,350
Financial guarantees issued: Maximum amounts guaranteed	19,236	–	–	–	19,236

	As at 31 August 2019				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	77,082	–	–	–	77,082
Interest-bearing bank and other borrowings and interest accruals	–	74,683	209,376	568,348	852,407
Amounts due to shareholders	2,800	–	–	–	2,800
Amount due to a related party	3,245	–	–	–	3,245
Payables for purchase of property, plant and equipment – non-current	–	–	122,717	–	122,717
	83,127	74,683	332,093	568,348	1,058,251
Financial guarantees issued: Maximum amounts guaranteed	16,406	–	–	–	16,406

	As at 29 February 2020				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	35,354	8,000	–	–	43,354
Interest-bearing bank and other borrowings and interest accruals	–	113,662	796,474	–	910,136
Payables for purchase of property, plant and equipment – non-current	–	–	62,317	–	62,317
Other long term liability	–	–	18,404	–	18,404
	35,354	121,662	877,195	–	1,034,211

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 August			As at 29 February
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	932,543	942,575	1,126,679	997,338
Total assets	1,266,841	1,333,152	1,587,467	1,494,929
Debt-to-asset ratios	74%	71%	71%	67%

34. EVENTS AFTER THE RELEVANT PERIODS

The following events took place subsequent to the reporting date:

(1) Subsequent to the end of the relevant periods, the Corona Virus Disease continues to affect the usual business environment across China. The Group had provided and completed its education services for the fall semester of the 2019/2020 school year by early January 2020, and the opening of the Group's school campuses for the spring semester of the 2019/2020 school year, which was originally scheduled in early March 2020, has been delayed. Management has implemented certain alternative action plans for students during the school closure period, including implementing on-line modules and remote website learning activities.

In view of the alternative action plans described above, the directors assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the six months ended 29 February 2020 and up to the date of this report. The directors will remain alert to the development of the pandemic and take additional measures as appropriate.

(2) Pursuant to the written resolution of the shareholders of the Company dated 22 July 2020, the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$10,000,000 divided into 1,000,000,000 shares of US$0.01 each.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its companies now comprising the Group in respect of any period subsequent to 29 February 2020.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 29 February 2020 as if it had taken place on 29 February 2020.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 29 February 2020 or any future date. It is prepared based on our consolidated net tangible assets as of 29 February 2020 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 29 February 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB (HK$ equivalent)*	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$2.10 per Share . .	494,532	287,146	781,678	1.17	1.30
Based on an Offer Price of HK$2.60 per Share . .	494,532	361,604	856,136	1.28	1.42

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 29 February 2020 is extracted from Appendix I – Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 29 February 2020 of approximately RMB497,591,000 less intangible assets as of 29 February 2020 of approximately RMB3,059,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.10 per Share or HK$2.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB17,970,000 which have been paid or become payable up to 29 February 2020) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.9034.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 666,667,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.9034.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Leader Education Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Leader Education Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 29 February 2020 and related notes as set out on pages II-1 and II-2 of the prospectus dated 27 July 2020 issued by the Company (the "Prospectus") (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company on the Group's financial position as at 29 February 2020 as if the transaction had taken place at 29 February 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 29 February 2020, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
27 July 2020

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of values of the property interest of the Group in the PRC as at 31 May 2020.

CUSHMAN & WAKEFIELD
戴 德 梁 行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

27 July 2020

The Directors
Leader Education Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

RE: PORTFOLIO VALUATION

Instructions, Purpose & Valuation Date

We refer to the instruction of Leader Education Limited (the "Company") for Cushman & Wakefield Limited ("C&W") to prepare market valuations of the properties in which the Company and/or its subsidiaries (together referred to as the "Group") have interests in the People's Republic of China (the "PRC"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the values of the properties as at 31 May 2020 (the "valuation date").

Valuation Basis

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

Our valuation of each of the properties is on an entirety interest basis.

Valuation Assumptions

Our valuations of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have relied on the advice given by the Company's legal adviser, Jingtian & Gongcheng, regarding the titles to the properties and the interests of the Company in the properties in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that the Group has an enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing property nos. 1 and 2, we have attributed no commercial value to the properties due to non-assignment restriction of the allocated land nature of the properties. Due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have adopted the Depreciated Replacement Costs ("DRC") Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size, etc. The DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing property no. 3, we have used the Market Comparison Method assuming sale of each of these properties in its existing state by making reference to comparable land sales transactions as available in the relevant market and have taken into account reasonably incurred land improvement costs, if any. This method is the most appropriate method for valuing land properties.

As per instruction from the Group, we have not valued property nos. 4 and 5 as the properties will be disposed of by the Group.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group regarding the title to the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, completion date of buildings, number of parking spaces, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuations. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the properties but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the properties.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group, in respect of the title to the properties in the PRC.

Site Inspection

Ms. Liven Xu and Ms. Wendy Hou of our Dalian Office who are Registered China Real Estate Appraiser, inspected the exterior and, where possible, the interior of the properties in the period in between September 2019 and July 2020. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Market Uncertainty	The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the valuation date.
Intended Use and User of Report	This valuation report is issued only for the use of the Company for incorporating into its listing document.
Currency	Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MRICS, MHKIS, RPS(GP)
Director
Valuation & Advisory Services, Greater China

Note: Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and Registered Professional Surveyor (General Practice). Ms. Lam has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 May 2020	Attributable interest to the Group	Market value in existing state as at 31 May 2020 attributable to the Group
	(RMB)	*(%)*	*(RMB)*
Group I – Properties held and occupied by the Group in the PRC			
1. Songbei campus (松北校區) Hulan District, Harbin City, Heilongjiang Province the PRC	No Commercial Value	100	No Commercial Value
2. Hanan campus (哈南校區) Shuangcheng District, Harbin City, Heilongjiang Province the PRC	No Commercial Value	100	No Commercial Value
Sub-total:	No Commercial Value		No Commercial Value
Group II – Property held by the Group for future development in the PRC			
3. A parcel of land of Dongguang Village (東光村) Zhoujia Town Shuangcheng District, Harbin City, Heilongjiang Province the PRC	24,000,000	100	24,000,000
Sub-total:	24,000,000		24,000,000
Group III – Properties to be disposed of by the Group			
4. Various commercial units of Phase I and II and car parking spaces of Xiangge Garden (祥閣花園), Shuangcheng District, Harbin City, Heilongjiang Province the PRC	Not Applicable	–	Not Applicable
5. Various residential units of Limin Xueyuan (利民學苑), Hulan District, Harbin City, Heilongjiang Province the PRC	Not Applicable	–	Not Applicable
Total:	24,000,000		24,000,000

VALUATION REPORT

Group I – Properties held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
1.	Songbei campus (松北校區) Hulan District, Harbin City, Heilongjiang Province the PRC	Songbei campus comprising various buildings are erected upon a parcel of land with a site area of 144,095.00 sq m. The campus comprises various buildings completed in the period in between 2006 and 2012. The property comprises various teaching buildings, dormitories, teaching complex and ancillary facilities with a total gross floor area of 169,818.33 sq m. For portions of the property with building ownership certificate, a total gross floor area of 164,418.09 sq m, relevant certificates and approval in respect of construction issued by the government have been obtained with details as follows:	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	No Commercial Value (see note 1)

Use	Gross Floor Area
	(sq m)
Teaching buildings	57,077.20
Dormitories	69,517.86
Teaching complex	23,751.94
Ancillary facilities	14,071.09
Total:	164,418.09

Building ownership certificate of another building of the property with a gross floor area of 5,400.24 sq m had not been obtained. We have not included such part in the area stated above.

The property is located in the suburban area of Harbin. Developments nearby are mainly educational in nature. According to the information provided by the Group, the property is generally for educational use.

The property is held under allocated land use rights for scientific research use for no specific term.

Notes:

(1) In the valuation of the property, we have attributed no commercial value to the property due to non-assignment restriction of the allocated land nature of the property. However, for reference purpose, we are of opinion that the depreciated replacement cost of the property is in the sum of RMB406,000,000 (RENMINBI FOUR HUNDRED AND SIX MILLION).

(2) According to State-owned Land Use Rights Certificate No. (2016) 0377, the land use rights of allocated nature of the property with a site area of 144,095 sq m have been vested in Heilongjiang College of Business and Technology for scientific research use.

(3) According to twenty one Building Ownership Certificates, the building ownership of the property comprising a total gross floor area of 164,418.09 sq m has been vested in Heilongjiang College of Business and Technology with details as follows:

Certificate No.	Issue date	Use	Gross floor area
			(sq m)
HL16102360	25 February 2016	Teaching building	28,492.16
HL16102367	25 February 2016	Teaching building	28,585.04
HL16102373	25 February 2016	Teaching complex	7,701.01
HL16102363	25 February 2016	Teaching complex	7,238.84
HL16102370	25 February 2016	Teaching complex	4,701.44
HL16102378	26 February 2016	Teaching complex	4,110.65
HL16102366	25 February 2016	Ancillary facilities	10,338.24
HL16102371	25 February 2016	Ancillary facilities	1,228.15
HL16102372	25 February 2016	Ancillary facilities	459.70
HL16102362	25 February 2016	Dormitories	8,133.67
HL16102380	25 February 2016	Dormitories	3,196.50
HL16102365	25 February 2016	Dormitories	8,300.52
HL16102364	25 February 2016	Dormitories	3,547.80
HL16102375	25 February 2016	Dormitories	10,353.89
HL16102376	25 February 2016	Dormitories	3,547.80
HL16102377	25 February 2016	Dormitories	10,352.52
HL16102361	25 February 2016	Dormitories	3,547.80
HL16102374	25 February 2016	Dormitories	10,339.06
HL16102379	25 February 2016	Dormitories	3,353.30
HL16102368	2 March 2016	Dormitories	4,845.00
HL16102369	2 March 2016	Ancillary facilities	2,045.00
		Total:	164,418.09

(4) As advised by the Group, Heilongjiang College of Business and Technology is in the process of applying for the construction permit and completing the relevant procedures for environmental impact inspection, fire control inspection and construction project completion acceptance check with respect to the building with 5,400.24 sq m.

(5) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) Heilongjiang College of Business and Technology is the sole legal land user of the property with state-owned Land Use Rights certificate;

(b) Heilongjiang College of Business and Technology has the right to use the portions of the property with building ownership certificate in accordance with the legal use; and

(c) the risk that Heilongjiang College of Business and Technology will be penalized for commencing the construction works of the building of 5,400.24 sq m without first obtaining the relevant construction permit is relatively low.

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
2.	Hanan campus (哈南校區) Shuangcheng District, Harbin, Heilongjiang Province the PRC	Hanan campus comprising various buildings erected upon a parcel of land with a site area of 397,914.04 sq m. The campus comprises various buildings completed in the period in between 2014 and 2019. The property comprises various teaching buildings, dormitories, teaching complex and ancillary facilities with a total gross floor area of approximately 138,876.30 sq m. For portions of the property with building ownership certificate, a total gross floor area of 54,566.30 sq m, relevant certificates and approval in respect of construction issued by the government have been obtained with details as follows: **Use** / **Gross Floor Area** *(sq m)* Teaching complex 54,566.30 Building ownership certificates of another ten buildings of the property with a total gross floor area of 84,310 sq m had not been obtained. We have not included such part in the area stated above. The property is located in the suburban area of Harbin. Developments nearby are mainly educational in nature. According to the information provided by the Group, the property is generally for educational use. The property is held under allocated land use rights for scientific research use for no specific term.	As at the valuation date, the property was occupied by the Group for educational and ancillary purposes.	No Commercial Value (see note 1)

Notes:

(1) In the valuation of the property, we have attributed no commercial value to the property due to non-assignment restriction of the allocated land nature of the property. However, for reference purpose, we are of opinion that the depreciated replacement cost of the property is in the sum of RMB515,000,000 (RENMINBI FIVE HUNDRED AND FIFTEEN MILLION).

(2) According to two Real Estate Ownership Certificates, the building ownership of the property comprising a total gross floor area of 54,566.30 sq m. has been vested in Heilongjiang College of Business and Technology. The land use rights are obtained through administrative allocation with a total site area of 397,914.04 sq m. for scientific research use. The details are as follows:

Certificate No.	**Issue date**	**Site area** *(sq m)*	**Gross floor area** *(sq m)*
(2017) 0000456	30 November 2014	397,914.04	16,350.40
(2017) 0000455	30 November 2014	397,914.04	38,215.90
		Total:	54,566.30

(3) According to Planning Permit for Construction Works No. SGCT20180000069-G069, the construction works with a total gross floor area of 84,310.00 sq m are in compliance with the urban planning requirements and have been approved.

(4) According to three Permits for Commencement of Construction Works, portions of the property are in compliance with the requirements for works commencement and have been permitted. The details are as follow:

Permit No.	**Issue date**	**Gross floor area** *(sq m)*
2301821811290108-SX-014	6 September 2019	46,966.55
2301821811290108-SX-015	6 September 2019	21,283.62
2301821811290108-SX-016	6 September 2019	16,059.83
	Total:	84,310.00

(5) As advised by the Group, the relevant government authority had conducted on site construction acceptance inspection involving the ten buildings that did not have the building ownership certificates. These buildings meet the completion acceptance requirements and have passed the on site acceptance check.

(6) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) Heilongjiang College of Business and Technology is the sole legal land user of the portions of the property with real estate ownership certificate;

(b) Heilongjiang College of Business and Technology has the right to use the portions of the property with real estate ownership certificate in accordance with the legal use; and

(c) the risk that Heilongjiang College of Business and Technology will be penalized for putting the ten buildings to use without first completing the construction project acceptance check and fire control inspection is relatively low.

VALUATION REPORT

Group II – Property held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
3.	A parcel of land of Dongguang Village (東光村) Zhoujia Town Shuangcheng District, Harbin, Heilongjiang Province the PRC	The property comprises a parcel of land with a total site area of 36,221.40 sq m. The property is located to the south side of Hanan campus, Developments nearby are mainly village houses. The land use rights of the property have been granted for a term due to expire on 17 October 2052 for commercial use.	As at the valuation date, the property was vacant.	RMB24,000,000 (RENMINBI TWENTY FOUR MILLION)

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2012) 2535, the land use rights of the property with a site area of 36,221.40 sq m have been vested in Harbin Xiangge Property Development Ltd.

(2) According to Grant Contract of Land Use Rights No. 2301822012B00213 dated 18 October 2012, the land use rights of the property with a site area of 36,221.40 sq m have been contracted to be granted to Harbin Xiangge Property Development Ltd.

(3) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) Harbin Xiangge Property Development Ltd is the sole legal land user of the property; and

(b) Harbin Xiangge Property Development Ltd has the right to transfer the property.

VALUATION REPORT

Group III – Properties to be disposed of by the Group

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
4.	Various commercial units of Phase I and II and car parking spaces of Xiangge Garden (祥閣花園), Shuangcheng District, Harbin, Heilongjiang Province the PRC	The property comprises various commercial units and 7 car parking spaces of a comprehensive development completed in 2011. The property has a total gross floor area of 3,250.55 sq m. The property is located in the suburban area of Harbin. Developments nearby are mainly residential buildings. According to the information provided by the Group, the property is for commercial and car parking uses. The land use rights of the property have been granted for a term due to expire on 1 April 2050 for commercial use.	As at the valuation date, the property was occupied by the Group.	Not Applicable (see note 1)

Notes:

(1) As per instruction from the Group, we have not valued the property as the property will be disposed of by the Group.

(2) According to eight Real Estate Title Certificates, the building ownership of portions of the property comprising a total gross floor area of 3,060.53 sq m has been vested in Harbin Xiangge Property Development Ltd with details as follows:

Certificate No.	Use	Gross floor area
		(sq m)
(2018) 0012812	Commercial	413.81
(2016) 0000605	Commercial	272.16
(2016) 0000561	Commercial	272.16
(2018) 0012813	Commercial	450.55
(2017) 0001275	Commercial	656.98
13-A0023271	Commercial	272.16
13-A0023269	Commercial	272.16
13-A0023270	Commercial	450.55
	Total:	3,060.53

(3) According to various survey reports, another portions of the property (7 car parking spaces) have a total gross floor area of 190.02 sq m.

(4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) According to the agreement entered into between Harbin Xiangge Property Development Ltd and 哈爾濱祥振引城置業有限公司 on 6 August 2019, the assets including the property owned by Harbin Xiangge Property Development Ltd will be inherited by 哈爾濱祥振引城置業有限公司. The agreement is legally valid and binding.

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
5.	Various residential units of Limin Xueyuan (利民學苑) Hulan District, Harbin, Heilongjiang Province the PRC	The property comprises various residential units of a residential development completed in 2013. The property has a total gross floor area of 1,262.10 sq m. The property is located in the suburban area of Harbin. Developments nearby are mainly university buildings. According to the information provided by the Group, the property is for residential use. The land use rights of the property have been granted for a term due to expire on 22 February 2080 for residential use.	As at the valuation date, the property was occupied by the Group.	Not Applicable (see note 1)

Notes:

(1) As per instruction from the Group, we have not valued the property as the property will be disposed of by the Group.

(2) According to four Building Ownership Certificates, the building ownership of portions of the property comprising a total gross floor area of 442.56 sq m has been vested in Harbin Xiangge Property Development Ltd. with details as follows:

Certificate No.	Use	Gross floor area
		(sq m)
(2018) 0022423	Residential	123.75
(2018) 0022425	Residential	106.27
HL14101752	Residential	106.27
HL14101763	Residential	106.27
	Total:	442.56

(3) According to various survey reports, another portions of the property have a total gross floor area of 819.54 sq m.

(4) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) According to the agreement entered into between Harbin Xiangge Property Development Ltd and 哈爾濱祥振引城置業有限公司 on 6 August 2019, the assets including the property owned by Harbin Xiangge Property Development Ltd will be inherited by 哈爾濱祥振引城置業有限公司. The agreement is legally valid and binding.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 17, 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on July 22, 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such

Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from June 26, 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on June 17, 2019. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 15, 2020 and our Company's principal place of business in Hong Kong is at Unit 26, 14/F, Solo Building, 41-43 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong. Mr. Chang Eric Jackson of Unit 26, 14/F, Solo Building, 41-43 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was US$50,000 divided into 5,000,000 Shares of US$0.01 each. At the time of incorporation, the issued share capital of our Company was US$0.01, with one Share of US$0.01 and held by Mourant Nominees (Cayman) Limited, an Independent Third Party. On June 29, 2019, the said one Share was transferred to Shuren Education Limited for a consideration at par value.

On June 29, 2019, our Company issued and allotted 149 Shares and 100 to Shuren Education and Junhua Education respectively for a consideration at par value.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be US$10,000,000 divided into 1,000,000,000 Shares, of which 666,667,000 Shares will be issued fully paid or credited as fully paid, and 333,333,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company – 4. Written resolutions of the then shareholder of our Company passed on July 22, 2020" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

3. Changes in share capital of our subsidiaries and PRC Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our principal subsidiaries and PRC Consolidated Affiliated Entities are set out in Note 1 to the Accountants' Report as set out in Appendix I.

Save as disclosed in the section headed "History and Corporate Structure" and below, there has been no alteration in the share capital or registered capital of our subsidiaries and PRC Consolidated Affiliated Entities within the two years preceding the date of this prospectus:

Harbin Xiangge

On January 20, 2020, the registered share capital of Harbin Xiangge was reduced from RMB50 million to RMB40 million.

Liankang Consulting

On March 24, 2020, the registered capital of Liankang Consulting was increased to US$12 million from US$1 million.

4. Written resolutions of the then shareholder of our Company passed on July 22, 2020

Pursuant to the written resolutions of the then shareholder of our Company entitled to vote at general meetings of our Company, which were passed on July 22, 2020:

(a) our Company approved and adopted the Memorandum of Association with immediate effect and the Articles of Association with effect from the Listing Date;

(b) the authorized share capital of our Company was increased from US$50,000 divided into 5,000,000 Shares of US$0.01 each to US$10,000,000 divided into 1,000,000,000 Shares of US$0.01 each by the creation of 995,000,000 Shares of US$0.01 each, which shall rank pari passu in all respects with the Shares in issue as at the date of the resolution;

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued or sold (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

  (i) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of US$4,999,997.5 be capitalized and applied in paying up in full at par value 499,999,750 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respect with the existing issued Shares;

(ii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and effect the transfer of the Shares by the Over-allotment Option Grantor as may be required upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;

(iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, among others, to grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme and to take all such actions as they consider necessary, desirable or expedient to implement the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, among others, the Global Offering, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a specific authority granted by our Shareholders in general meeting) of not more than the sum of:

i. 20% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme; and

ii. the number of Shares repurchased by our Company (if any);

(v) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme; and

(vi) the extension of the general unconditional mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate total number of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(iv), (c)(v) and (c)(vi) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction

Pursuant to the Written resolutions of the then shareholders of our Company passed on July 22, 2020, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) of not more than 10% of the total number of Shares in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be sold pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on July 22, 2020" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the section headed "History and Corporate Structure – Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contract

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(1) a segregation agreement dated August 6, 2019 and entered into by and between Harbin Xiangge and Harbin Xiangzhen Yincheng Zhiye Limited (哈爾濱祥振引城置業有限公司) ("Yincheng Zhiye"), pursuant to which, among others, certain interests were segregated from Harbin Xiangge and taken up by Yincheng Zhiye;

(2) a business cooperation agreement dated February 6, 2020 entered into by and among the WFOE, Harbin Xiangge, Heilongjiang College, Mr. Liu Laixiang and Ms. Dong Ling pursuant to which the WFOE agreed to provide, among other things, technical service, management support service and consultancy service necessary for conducting private education activities to Harbin Xiangge and Heilongjiang College and, as consideration, Harbin Xiangge and Heilongjiang College shall pay service fees to the WFOE;

(3) an exclusive technical service and management consultancy agreement dated February 6, 2020 and entered into by and among the WFOE, Harbin Xiangge and Heilongjiang College, pursuant to which the WFOE agreed to provide, among other things, exclusive technical service, management support service and consultancy service to Harbin Xiangge and Heilongjiang College, and as consideration, Harbin Xiangge and Heilongjiang College agreed to pay service fees to the WFOE;

(4) an exclusive call option agreement dated February 6, 2020 and entered into by and among the WFOE, Harbin Xiangge, Heilongjiang College, Mr. Liu Laixiang and Ms. Dong Ling, pursuant to which each of Mr. Liu and Ms. Dong unconditionally and irrevocably granted the WFOE or its designated purchaser an exclusive option to purchase all or part of his/her direct or indirect interest in Harbin Xiangge and Heilongjiang College at the lowest price permitted under the PRC laws and regulations;

(5) an equity pledge agreement dated February 6, 2020 and entered into by and among Mr. Liu Laixiang, Ms. Dong Ling, Harbin Xiangge and the WFOE, pursuant to which Mr. Liu and Ms. Dong unconditionally and irrevocably agreed to pledge and grant first priority security interest over all of the equity interest in Harbin Xiangge together with all related rights thereto to the WFOE for the purpose of securing the performance of the contractual obligations of Mr. Liu, Ms. Dong, Harbin Xiangge and Heilongjiang College under the Structured Contracts;

(6) a shareholders' rights entrustment agreement dated February 6, 2020 and entered into by and among Mr. Liu Laixiang, Ms. Dong Ling, Harbin Xiangge and the WFOE, pursuant to which each of Mr. Liu and Ms. Dong irrevocably, unconditionally and exclusively authorized and entrusted the WFOE or its designated person to exercise all his/her rights as a shareholder of Harbin Xiangge to the extent permitted by the PRC laws;

(7) a shareholder's power of attorney dated February 6, 2020 and executed by Mr. Liu Laixiang appointing the WFOE as his appointee to exercise all his shareholder's rights in Harbin Xiangge;

(8) a shareholder's power of attorney dated February 6, 2020 and executed by Ms. Dong Ling appointing the WFOE as her appointee to exercise all her shareholder's rights in Harbin Xiangge;

(9) a school sponsor's and directors' right entrustment agreement dated February 6, 2020 and entered into by and among the WFOE, Harbin Xiangge (as the school sponsor of Heilongjiang College), Mr. Liu Laixiang, Ms. Dong Ling, Mr. Che Wenge, Ms. Wang Xiaowei (王曉偉) and Ms. Shao Xuehang (邵雪航) (as school directors (理事) of Heilongjiang College) and Heilongjiang College, pursuant to which (i) Harbin Xiangge unconditionally and irrevocably authorized and entrusted the WFOE to exercise all its rights as the school sponsor of Heilongjiang College to

the extent permitted by the PRC laws, and (ii) each of Mr. Liu Laixiang, Ms. Dong Ling, Mr. Che Wenge, Ms. Wang Xiaowei and Ms. Shao Xuehang unconditionally and irrevocably authorized and entrusted the WFOE to exercise all his/her rights as a school director of Heilongjiang College to the extent permitted by the PRC laws;

(10) a school sponsor's power of attorney dated February 6, 2020 and executed by Harbin Xiangge appointing the WFOE as its appointee to exercise all its school sponsor's rights in Heilongjiang College;

(11) a school directors' power of attorney dated February 6, 2020 and executed by Mr. Liu Laixiang, Ms. Dong Ling, Mr. Che Wenge, Ms. Wang Xiaowei and Ms. Shao Xuehang appointing WFOE as his/her appointee to exercise all his/her director's rights in Heilongjiang College;

(12) a loan agreement dated February 6, 2020 and entered into by and among the WFOE, Harbin Xiangge and Heilongjiang College, pursuant to which the WFOE agreed to extend interest-free loans to Harbin Xiangge from time to time;

(13) an equity pledge agreement dated March 25, 2020 and entered into by and among Mr. Liu Laixiang, Ms. Dong Ling, Harbin Xiangge and the WFOE, pursuant to which each of Mr. Liu and Ms. Dong unconditionally and irrevocably agreed to pledge and grant first priority security interest over all of their respective equity interest in Harbin Xiangge together with all related rights thereto to the WFOE for the purpose of securing the performance of the contractual obligations of Harbin Xiangge, Heilongjiang College, Mr. Liu and Ms. Dong under the Structured Contracts;

(14) a supplemental equity pledge agreement dated April 5, 2020 and entered into by and among Mr. Liu Laixiang, Ms. Dong Ling, Harbin Xiangge and the WFOE, pursuant to which the parties agreed that, among others, the equity pledge agreement dated February 6, 2020 had been terminated upon the date of execution of the equity pledge agreement dated March 25, 2020;

(15) the Deed of Indemnity;

(16) a cornerstone investment agreement dated July 23, 2020 entered into by and among our Company, Sino Edu Capital Fund I LP and Huatai Financial Holdings (Hong Kong) Limited, pursuant to which Sino Edu Capital Fund I LP agreed to subscribe for our Shares in an aggregate amount of US$3,840,000 at the Offer Price;

(17) a cornerstone investment agreement dated July 23, 2020 entered into by and among our Company, Huang Zhanxiong and Huatai Financial Holdings (Hong Kong) Limited, pursuant to which Huang Zhanxiong agreed to subscribe for our Shares in an aggregate amount of US$5,000,000 at the Offer Price;

(18) a cornerstone investment agreement dated July 23, 2020 entered into by and among our Company, New China Asset Management (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited, pursuant to which New China Asset Management (Hong Kong) Limited agreed to subscribe for our Shares in an aggregate amount of US$2,500,000 at the Offer Price;

(19) a cornerstone investment agreement dated July 23, 2020 entered into by and among our Company, Wu Shang Tun Mason and Huatai Financial Holdings (Hong Kong) Limited, pursuant to which Wu Shang Tun Mason agreed to subscribe for our Shares in an aggregate amount of US$1,000,000 at the Offer Price; and

(20) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Domain Names

As of the date of this prospectus, we have registered and/or have the right to use the following domain names:

Registrant/User	Domain name	Date of registration	Expiration date
1. Heilongjiang College	hibu.edu.cn	Not applicable	Unspecified period pursuant to the relevant lease agreement
2. Heilongjiang College	leader-education.cn	July 23, 2020	July 23, 2021

Patents

As of the Latest Practicable Date, we have registered the following registered patents:

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
1	Heilongjiang College	Portable vacuum machine (便攜式抽真空機)	2020300507489	February 13, 2020	Designs (外觀設計)
2	Heilongjiang College	計算器(數學SG-6) (Calculator (Mathematics SG-6))	202030035290X	January 17, 2020	Designs

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
3	Heilongjiang College	花盆(堆疊) (Flower pot (stacked))	2019307395496	December 30, 2019	Designs
4	Heilongjiang College	花盆 (Flower pot)	2019306426459	November 21, 2019	Designs
5.	Heilongjiang College	便攜式監護儀 (A portable supervising device	2019306298963	November 15, 2019	Designs
6	Heilongjiang College	一種用於機械設計的組合實訓台 (An assembled table for practical training of machine design)	2019219450183	November 12, 2019	Utility Models (實用新型)
7	Heilongjiang College	一種用於廣播電視天線的防結冰件 (An anti-icing component for broadcast TV antenna)	2019218770790	November 4, 2019	Utility Models
8	Heilongjiang College	一種定向排水的戶外座椅 (An outdoor chair with water drainage feature)	2019218711326	November 1, 2019	Utility Models
9	Heilongjiang College	產品展台(國際經濟與貿易) (A product display table (International economics and trade))	2019305991644	November 1, 2019	Designs
10. . . .	Heilongjiang College	談判桌(國際經濟與貿易) (A negotiation table (International economics and trade))	2019305927493	October 30, 2019	Designs
11. . . .	Heilongjiang College	票架(會計) (A stand for bills (accounting))	2019305949651	October 30, 2019	Designs
12. . . .	Heilongjiang College	擴音器 (A loud speaker)	2019305811764	October 24, 2019	Designs
13. . . .	Heilongjiang College	一種美術塗料研磨裝置 (A grinding device for paints of art works)	2019216153698	September 26, 2019	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
14. . . .	Heilongjiang College	一種美術塗料製備用高速分散裝置 (A high-speed separator for preparation of paints of art works)	2019215837286	September 23, 2019	Utility Models
15. . . .	Heilongjiang College	一種便攜式數學教學用白板 (A portable whiteboard for mathematics teaching)	201921538452X	September 16, 2019	Utility Models
16. . . .	Heilongjiang College	一種便攜式英語演講用大綱記錄板 (A portable board for recording the outline of English speech)	2019214857032	September 9, 2019	Utility Models
17. . . .	Heilongjiang College	一種英語辯論賽用賽點計分器 (A score-counter for English debate contest)	2019214857070	September 9, 2019	Utility Models
18. . . .	Heilongjiang College	一種打孔器 (A hole punch)	2019214438151	September 2, 2019	Utility Models
19. . . .	Heilongjiang College	一種角度可調畫尺 (An angle-adjustable ruler)	2019213710562	August 22, 2019	Utility Models
20. . . .	Heilongjiang College	一種圓規 (A compass)	2019213710558	August 22, 2019	Utility Models
21. . . .	Heilongjiang College	一種包裝設計裁剪裝置 (A cutting device for package design)	2019212544601	August 5, 2019	Utility Models
22. . . .	Heilongjiang College	一種目標經濟走勢K線圖繪製設備 (An instrument for creation of candlestick chart in economics)	2019211569160	July 23, 2019	Utility Models
23. . . .	Heilongjiang College	一種英語單詞卡片夾 (A cardholder for English vocabulary cards)	2019210743935	July 10, 2019	Utility Models
24. . . .	Heilongjiang College	一種英語規範書寫練習裝置 (A device for practicing formal English writing)	2019210744247	July 10, 2019	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
25. . . .	Heilongjiang College	一種用於體育足球教學的自動復位器 (A automated device for resetting football in teaching of football)	2019210796561	July 10, 2019	Utility Models
26. . . .	Heilongjiang College	一種電子元器件加工裝置 (A device for processing electronic components)	2019210339706	July 4, 2019	Utility Models
27. . . .	Heilongjiang College	一種防水電子信息顯示門牌 (A waterproof electronic information display door plate)	2019210077099	July 1, 2019	Utility Models
28. . . .	Heilongjiang College	一種數學用便於固定的圓規教具 (A compass for mathematical use)	2019208355310	June 4, 2019	Utility Models
29. . . .	Heilongjiang College	一種多功能畫線器 (A multi-functional line drawing device)	2019207492005	May 23, 2019	Utility Models
30. . . .	Heilongjiang College	一種便於攜帶的室內設計圖收納裝置 (A portable interior design drawing device)	2019207178516	May 20, 2019	Utility Models
31. . . .	Heilongjiang College	一種用於藝術品創作修復的固定保護裝置 (A fixed protective device for repair of art works and creation)	2019206270233	May 5, 2019	Utility Models
32. . . .	Heilongjiang College	一種室內設計用手繪圖操作轉換台 (A conversion table for sketches in interior design)	2019207178304	May 20, 2019	Utility Models
33. . . .	Heilongjiang College	一種計算機鍵盤托架 (A calculator's keyboard tray frame)	2019206054959	April 29, 2019	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
34. . . .	Heilongjiang College	一種板材切割裝置 (A plate-cutting device)	2019205963066	April 28, 2019	Utility Models
35. . . .	Heilongjiang College	一種用於藝術創作的上色乾燥裝置 (A coloring and drying device for artistic creation)	2019205964533	April 28, 2019	Utility Models
36. . . .	Heilongjiang College	一種藝術作品展示裝置 (An art work display device)	201920596940X	April 28, 2019	Utility Models
37. . . .	Heilongjiang College	一種藝術品包裝箱 (A packing box for art works)	2019205773485	April 25, 2019	Utility Models
38. . . .	Heilongjiang College	一種足球訓練輔助裝置 (A soccer training assistant device)	2019205716904	April 19, 2019	Utility Models
39. . . .	Heilongjiang College	一種計算機用防塵方便安裝的機箱 (A dust-proof and easy-to-install computer host case)	2019204372374	April 2, 2019	Utility Models
40. . . .	Heilongjiang College	一種計算機鍵盤除塵裝置 (A dust-removing device for computer keyboards)	2019204377876	April 2, 2019	Utility Models
41. . . .	Heilongjiang College	一種計算機硬盤防震保護裝置 (A computer hard disk shockproof device)	2019204172819	March 29, 2019	Utility Models
42. . . .	Heilongjiang College	一種計算機主機滑門機構 (A computer host sliding gear)	2019204179184	March 29, 2019	Utility Models
43. . . .	Heilongjiang College	外語學習機 (A foreign language learning device)	201930135194X	March 28, 2019	Designs
44. . . .	Heilongjiang College	車載吸塵器 (Car vacuum cleaner)	201930131270X	March 27, 2019	Designs
45. . . .	Heilongjiang College	書桌 (Desk)	2019301071900	March 15, 2019	Designs

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
46. . . .	Heilongjiang College	一種漢代貨幣的存儲裝置 (A storage device for Han Dynasty currency)	2019203094776	March 12, 2019	Utility Models
47. . . .	Heilongjiang College	一種建築工程現場測繪裝置 (A construction engineering site surveying and mapping device)	2019202758835	March 5, 2019	Utility Models
48. . . .	Heilongjiang College	一種教育用宣傳架 (An advertising stand for educational purpose)	2019200629204	January 15, 2019	Utility Models
49. . . .	Heilongjiang College	一種筆記本電腦可調散熱架 (An adjustable heat-dissipating rack for laptop computers)	201920024858X	January 8, 2019	Utility Models
50. . . .	Heilongjiang College	一種會計用便攜式文件儲藏箱 (A portable document storage box for accounting purpose)	2018220823310	December 12, 2018	Utility Models
51. . . .	Heilongjiang College	一種電池管理系統 (A battery management system)	201821938500X	November 22, 2018	Utility Models
52. . . .	Heilongjiang College	一種計算機顯示屏調節支架 (An adjustable mount for computer monitor)	2018217874923	November 1, 2018	Utility Models
53. . . .	Heilongjiang College	一種用於藝術設計的樣品上色裝置 (A coloring device for art design sample)	2018217594138	October 29, 2018	Utility Models
54. . . .	Heilongjiang College, Liu Ying (劉穎), Yan Liwei (閆麗瑋), Zheng Taotao (鄭韜韜) and Song Haoran (宋皓然)	一種英語翻譯機固定裝置 (A mount for English translation device)	2018217309660	October 25, 2018	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
55. . . .	Heilongjiang College	金融財會票據智能管理櫃 (An intelligent cabinet for managing financial and accounting bills)	2018217102186	October 22, 2018	Utility Models
56. . . .	Heilongjiang College	一種計算機散熱冷卻裝置 (A computer heat-dissipating and cooling device)	2018217002845	October 19, 2018	Utility Models
57. . . .	Heilongjiang College	一種體育訓練用排球發球裝置 (A volleyball serving device for sports training)	2018215577161	September 25, 2018	Utility Models
58. . . .	Heilongjiang College; Harbin Sunflower Intelligent Care Equipment Co Ltd* (哈爾濱向日葵智能護理設備有限公司)	一種多獨立氣囊式防褥瘡床墊 (An isolated multi-airbags bedsore preventing mattress)	201821486781X	September 11, 2018	Utility Models
59. . . .	Heilongjiang College	一種廣播電視用線路防護裝置 (A line protection device for televisions)	201821336506X	August 17, 2018	Utility Models
60. . . .	Heilongjiang College	一種便於現場採訪用設備架 (A device rack for live interviews)	2018213278381	August 16, 2018	Utility Models
61. . . .	Heilongjiang College	一種分體式功率合成器 (A split power synthesizer)	2018213112386	August 14, 2018	Utility Models
62. . . .	Heilongjiang College	深海通信網絡節點設備和深海通信網絡系統 (Deep-sea communication network node equipment and deep-sea communication network systems)	2018211518145	July 18, 2018	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
63. . . .	Heilongjiang College	一種電子設備檢測裝置 (An electronic equipment detection device)	2018210440853	July 3, 2018	Utility Models
64. . . .	Heilongjiang College	一種可旋轉式數學教學用輔助教具 (A rotatable auxiliary teaching aid for mathematics)	2018210213135	June 29, 2018	Utility Models
65. . . .	Heilongjiang College	一種藝術作品展示裝置 (A display device for art works)	201821005404X	June 27, 2018	Utility Models
66. . . .	Heilongjiang College	一種雷電中電荷含量測量裝置 (A device for measuring quantity of electricity in lightning)	2018209862375	June 25, 2018	Utility Models
67. . . .	Heilongjiang College	一種高等數學教學展示裝置 (A display device for higher mathematics teaching)	2018207523761	May 17, 2018	Utility Models
68. . . .	Heilongjiang College	一種獨立顯卡的加固裝置 (A reinforcement device for discrete graphics cards)	2018204689074	March 30, 2018	Utility Models
69. . . .	Heilongjiang College	一種便於計算機使用的分線裝置 (A wire-distributing device for computers)	2018204342266	March 28, 2018	Utility Models
70. . . .	Heilongjiang College	一種多功能計算機機箱外殼 (A multifunction computer host case enclosure)	2018203774718	March 20, 2018	Utility Models
71. . . .	Heilongjiang College	一種計算機夾持固定裝置 (A computer clamping fixture)	2018203535721	March 15, 2018	Utility Models
72. . . .	Heilongjiang College	一種計算機顯示屏底座 (A computer monitor base)	2018203412789	March 13, 2018	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
73. . . .	Heilongjiang College	一種含有可調重心配重塊的高爾夫球頭 (A golf club head with adjustable center of gravity and counterweight blocks)	2017217131076	December 11, 2017	Utility Models
74. . . .	Heilongjiang College	一種含有液體配重塊的高爾夫球頭 (A golf club head with a liquid counterweight block)	2017217131080	December 11, 2017	Utility Models
75. . . .	Heilongjiang College	一種國際經濟與貿易教學懸掛架 (A rack for teaching of international economics and trade)	2017216585211	December 1, 2017	Utility Models
76. . . .	Heilongjiang College	一種帶有調節距離裝置的辦公用計算機顯示屏 (An office computer display with a distance adjustment device)	2017215373422	November 17, 2017	Utility Models
77. . . .	Heilongjiang College	一種基於計算機技術的發酵實驗裝置 (A fermentation experiment device based on computer technology)	2017214677454	November 6, 2017	Utility Models
78. . . .	Heilongjiang College	一種帶護腕的計算機鍵盤 (A computer keyboard with a wrist guard)	2017214006464	October 27, 2017	Utility Models
79. . . .	Heilongjiang College	一種多功能英語輔助教學裝置 (A multi-functional English auxiliary teaching device)	2017212497387	September 27, 2017	Utility Models
80. . . .	Heilongjiang College	一種便於放置的戶外用計算機 (A type of computer supporting setup in outdoor environment)	201721250447X	September 27, 2017	Utility Models
81. . . .	Heilongjiang College	一種英語教學裝置 (An English teaching device)	2017212235064	September 22, 2017	Utility Models

No.	Owner of the Patent	Name of the Patent	Patent No.	Application Date	Patent Category
82. . . .	Heilongjiang College	一種基於電子控制的自動化上料機 (An automated dispenser based on electronic control)	2017209861490	August 9, 2017	Utility Models
83. . . .	Heilongjiang College	一種數學用新型圓規結構 (A new compasses structure for mathematics)	201720434318X	April 24, 2017	Utility Models
84. . . .	Heilongjiang College	一種組合式經濟教學用圖表架 (A combined chart stand for teaching economics)	2016213055844	November 30, 2016	Utility Models
85. . . .	Heilongjiang College	一種經濟學教學用條形圖繪圖器 (An instrument for bar chart creation for teaching economics)	2016212958196	November 29, 2016	Utility Models
86. . . .	Heilongjiang College	一種平面設計用支撐裝置 (A support device for graphic design)	2016206863377	July 1, 2016	Utility Models
87. . . .	Heilongjiang College	一種新型制圖板裝置 (A new type of technical drawing device)	2016206863381	July 1, 2016	Utility Models

3. Further information about our major PRC establishments

The WFOE

(i)	nature of the company:	limited liability company (Taiwan, Hong Kong or Macau legal person sole investment)
(ii)	incorporation date:	August 8, 2019
(iii)	term of business operation:	from August 8, 2019 to long term
(iv)	registered capital:	US$12 million (to be paid up before July 31, 2039)

(v)	attributable interest of the company:	100% of shares by Leader HK
(vi)	scope of business:	business information consulting; corporate management service and consulting; marketing planning; IP services: design, creation, agency and publication of advertisement; computer graphics design and creation; information technology service; organizing social and arts exchange activities (excluding performance); design and renovation work; software development; other organizational management services; other social-economic consulting service (projects required to be approved under the laws must obtain prior approval from the relevant departments)

Harbin Xiangge

(i)	nature of the company:	limited liability company (invested or controlled by a natural person)
(ii)	incorporation date:	February 7, 2007
(iii)	term of business operation:	from February 7, 2007 to long term
(iv)	registered capital:	RMB 40 million
(v)	attributable interest of the company:	60% of shares by Ms. Dong; 40% of shares by Mr. Liu
(vi)	scope of business:	enterprise business consultancy services, investment in education industry using its own funds (excluding finance, futures, lending and borrowing, securities, insurance and funds), property management

Heilongjiang College

(i)	nature of the entity:	private non-enterprise unit
(ii)	date of establishment:	April 28, 2015
(iii)	registered capital:	RMB183.3 million
(iv)	attributable interest of the company:	100% by Harbin Xiangge
(v)	scope of business:	Full time undergraduate education and scientific research

Beijing WFOE

(i)	nature of the company:	limited liability company (Taiwan, Hong Kong or Macau legal person sole investment)
(ii)	incorporation date:	July 8, 2020
(iii)	term of business operation:	From July 8, 2020 to July 7, 2050
(iv)	registered capital	US$10 million
(v)	attributable interest of the company	100% of shares by Leader HK
(vi)	scope of business	corporate management consulting; education consulting (excluding training), corporate management, software development, data processing, marketing & sales planning, corporate sales planning, corporate image planning, PR planning, conference service, engagement of exhibitions display, retail sales of computer software and ancillary equipment, necessities and office supplies. The entity may commence operations in other projects in accordance with relevant laws; for projects required to be approved under the laws, it shall obtain prior approval from the relevant departments and it shall not engage in operating activities which are under prohibited or restricted category designated by the state and Tongzhou District, Beijing.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020, the aggregate of the remuneration paid and pension schemes contributions and benefits in kind granted to our Directors by us and our subsidiaries was RMB660,000, RMB698,000, RMB805,000 and RMB459,000, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending August 31, 2020 would be approximately HK$1.07 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the Capitalization Issue and the Global Offering

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

(i) Long position in our Company

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate number of percentage of Shares shareholding**
Mr. Liu(2)(3)	Interest in a controlled corporation/ Interest of Spouse	500,000,000	75%
Ms. Dong(4)(5)	Interest in a controlled corporation/ Interest of Spouse	500,000,000	75%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Junhua Education is 100% owned by Mr. Liu and he is therefore deemed to be interested in all the Shares held by Junhua Education upon the Listing.

(3) Mr. Liu is the spouse of Ms Dong and he is therefore deemed to be interested in the Shares held by Ms Dong upon the Listing.

(4) Shuren Education is 100% owned by Ms. Dong and she is therefore deemed to be interested in all the Shares held by Shuren Education upon the Listing.

(5) Ms. Dong is the spouse of Mr. Liu and she is therefore deemed to be interested in the Shares held by Mr. Liu upon the Listing.

(ii) Long position in associated corporations

Harbin Xiangge

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	Capacity/Nature of interest	Amount of registered capital	Approximate percentage of shareholding
Mr. Liu	Beneficial owner	RMB16,000,000	40%
Ms. Dong	Beneficial owner	RMB24,000,000	60%

Heilongjiang College

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	Capacity/Nature of interest	Amount of registered capital	Approximate percentage of shareholding
Mr. Liu(2)(3)	Interest in a controlled corporation/ Interest of Spouse	RMB183,330,000	100%
Ms. Dong(4)(5)	Interest in a controlled corporation/ Interest of Spouse	RMB183,330,000	100%
Harbin Xiangge	Beneficial owner	RMB183,330,000	100%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Harbin Xiangge is 40% owned by Mr. Liu and thus he is deemed to be interested in all the shares held by Harbin Xiangge in Heilongjiang College upon the Listing.

(3) Mr. Liu is the spouse of Ms. Dong and he is therefore deemed to be interested in the shares held by Ms. Dong through Harbin Xiangge upon Listing.

(4) Harbin Xiangge is 60% owned by Ms Dong and thus she is deemed to be interested in all the shares held by Harbin Xiangge in Heilongjiang College upon the Listing.

(5) Ms. Dong is the spouse of Mr. Liu and she is therefore deemed to be interested in the shares held by Mr. Liu through Harbin Xiangge upon the Listing.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or any Shares which may be sold and transfer upon the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Interests and short positions in associated corporations

Long position in Heilongjiang College

		Immediately after the Global Offering and the Capitalization Issue[1]	
Name	**Capacity/Nature of interest**	**Amount of registered capital**	**Approximate percentage of shareholding**
Harbin Xiangge.	Beneficial owner	RMB183,330,000	100%

Note:

(1) Assuming the Over-allotment Option is not exercised.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix:

  (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholder of our Company passed on July 22, 2020 and adopted by a resolution of the Board on July 22, 2020 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the Share Option Scheme.

(the person referred above are the "Eligible Persons").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 66,666,700 Shares) (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) notwithstanding paragraph (a) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out in the paragraph above. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided, among others:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), and none of the events for termination of employment or engagement specified in the Share Option Scheme exists with respect to such Grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme – 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in (d) above and in the paragraph headed "11. Exercise of Option"; or

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, open offer, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the our Shareholders in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(d) any alteration to the aforesaid alteration provisions.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) subject to (b), (c) and (d) below, the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 66,666,700 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of dealing in our Shares on the Stock Exchange; and

(d) the obligations of the underwriters under the underwriting agreement(s) becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

Application has been made to the Stock Exchange for the listing of 66,666,700 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Each of our Controlling Shareholders (collectively, the "Indemnifiers") has entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such liability, taxation or taxation claim in the consolidated financial statements of our Group as set out in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the three years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020 (the "Accounts"); or

(b) to any taxation claim or liability falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after February 29, 2020 unless such taxation claim or liability would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:

(1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after February 29, 2020; or

(2) consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or

(c) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

The indemnity for taxation claim or liability does not cover any taxation claim or liability to the extent that the imposition of such taxation claim or liability arises or is incurred as a result of a retrospective change in law or practice coming into force after the Listing Date or to the extent the taxation claim or liability arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business – Legal Proceedings and Compliance" in this prospectus.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately US$2,934 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be sold pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of US$750,000 to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since February 29, 2020 (being the date to which our latest audited consolidated financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	PRC Legal Advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Cushman & Wakefield Limited	Independent property valuer

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Particulars of the Over-allotment Option Grantor

The particulars of the Over-allotment Option Grantor are as follows:

Name: Junhua Education Limited

Description: Junhua Education Limited was incorporated in the British Virgin Islands with limited liability on June 18, 2019.

Registered Address: Nerine Chambers, PO Box 905, Road Town, Tortola, British Virgin Islands

Maximum number of Shares which the Over-allotment Option Grantor may be required to sell pursuant to the exercise of the Over-allotment Option: 25,000,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V, the copies of the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the Material Contracts" in Appendix V to this prospectus, and the statement of particulars of the Over-allotment Option Grantor.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(3) the audited consolidated financial statements of our Group for each of the three years ended August 31, 2017, 2018 and 2019 and the six months ended February 29, 2020;

(4) the reports received from Ernst & Young on unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(5) the letter, summary of values and valuation certificates relating to our property interests prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;

(6) the material contracts referred to in the paragraph headed "C. Further Information about Our Business – 1. Summary of the Material Contracts" in Appendix V to this prospectus;

(7) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors – 1. Directors' service contracts and letters of appointment" in Appendix V to this prospectus;

(8) the written consents referred to in the paragraph headed "G. Other Information – 10. Consents of experts" in Appendix V to this prospectus;

(9) the PRC legal opinions prepared by Jingtian & Gongcheng, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(11) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(12) the Cayman Islands Companies Law;

(13) the rules of the Share Option Scheme; and

(14) the statement of particulars of the Over-allotment Option Grantor.

立德教育有限公司
Leader Education Limited