

## BUSINESS

### OVERVIEW

We are a leading provider of private higher education in Shanxi Province, the PRC. According to the Frost & Sullivan Report, we ranked first among all private higher education institutions in Shanxi Province in terms of total full-time student enrollment, with a market share of 15.6% for the 2020/2021 school year. During the Track Record Period and as of the Latest Practicable Date, we operated one college, Shanxi Technology and Business College in Taiyuan City, Shanxi Province, the PRC. In 2011, our College was approved and upgraded by the MOE to become the first private undergraduate college in Shanxi Province. Our solid reputation and extensive expertise in the private higher education sector have allowed us to continue to grow our College since then. The total number of students enrolled at our College has grown from approximately 8,000 students in the 2011/2012 school year to over 17,000 students in the 2020/2021 school year. Over the Track Record Period, all students enrolled in our College were full-time students and most of our students enrolled were boarding students except for very few students who were approved by us to live off campus for personal reasons. As of December 31, 2020, we employed 558 full-time teachers and 544 part-time teachers.

As of the Latest Practicable Date, our College offered bachelor's degree programs in a total of 36 majors (i.e. the specific area of study a student chooses to focus on, such as accounting, business administration, computer science and technology and preschool education) and three concentrations (which are specific study areas of emphasis within certain majors, including an internet technology concentration under major of computer science and technology; and a child massage healthcare concentration and an early education concentration under the major of preschool education) to undergraduate students through its 12 schools. As of the Latest Practicable Date, our College operated two campuses, namely, Longcheng campus and Beige campus, with a total area of approximately 481,504 sq. m. and buildings with an aggregated gross floor area of approximately 377,556 sq. m.

We focus on providing application-oriented education to equip our students with practical skills relevant to careers. We continue to optimize our course offerings and practical training programs to provide our students with the practical and readily applicable skills. We offer mandatory and elective courses in entrepreneurship and innovation-related subjects, and provide a variety of opportunities for students to hone their business skills. We reinforce our application-oriented course offerings with meaningful collaboration with companies in private industry ranging from joint development and delivery of entire courses and construction of simulated work-environment training bases on our campuses, to inviting industry experts and visiting lecturers and helping arrange internship and practical training opportunities for our students. We believe our emphasis on developing advanced, career-focused skill sets helps make our students more appealing to potential employers. The Initial Employment Rate for graduates of our College reached approximately 94.2% and 90.8% for the 2017/2018 and 2018/2019 school years, respectively. In contrast, China's overall Initial Employment Rates for higher education graduates were significantly lower, at approximately 78.2% and 78.2%, respectively, in the same school years, according to the Frost & Sullivan Report.

Our revenue remained largely stable over the Track Record Period, decreasing slightly from RMB267.4 million for the year ended August 31, 2018 to RMB266.3 million for the year ended August 31, 2019, and then increasing to RMB271.1 million for the year ended August 31, 2020. Our revenue decreased from RMB110.9 million for the four months ended December 31, 2019 to RMB110.3 million for the four months ended December 31, 2020, primarily due to a delay in the beginning of the 2020/2021 school year for new students from September to October as a result of the COVID-19 pandemic, resulting in only three months of revenue for that year being recognized as of December 31, 2020. This timing

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effect was partially offset by an increase in the total number of students enrolled in our College from 16,616 for the 2019/2020 school year to 17,233 for the 2020/2021 school year. Our gross profit decreased from RMB171.1 million for the year ended August 31, 2018 to RMB157.8 million for the year ended August 31, 2019, and increased to RMB163.9 million for the year ended August 31, 2020. Our gross profit decreased slightly from RMB64.8 million for the four months ended December 31, 2019 to RMB64.2 million for the four months ended December 31, 2020. Our profit and total comprehensive income for the year decreased from RMB144.8 million for the year ended August 31, 2018 to RMB137.6 million for the year ended August 31, 2019, and increased to RMB142.7 million for the year ended August 31, 2020. Our profit and total comprehensive income for the period decreased from RMB58.5 million for the four months ended December 31, 2019 to RMB50.9 million for the four months ended December 31, 2020.

### OUR COMPETITIVE STRENGTHS

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

#### **Leading private higher education provider in Shanxi Province with a long history of successful growth and extensive industry experience**

We are a leading provider of private higher education in Shanxi Province. According to the Frost & Sullivan Report, we ranked first among all private higher education institutions in Shanxi Province in terms of total full-time student enrollment, with a market share of 15.6% for the 2020/2021 school year. We have been able to steadily grow our reputation since the approval of our establishment in 2004. Enrollment in our College has grown from approximately 8,000 students by the end of 2011, the year in which we were accredited by the MOE to become the first private undergraduate college in Shanxi Province, to more than 17,000 students as of December 31, 2020, housed in the 12 schools located on our two campuses, namely Beige campus and Longcheng campus. As of December 31, 2020, our College had a total of 1,102 teachers. We have built a diverse and extensive range of course offerings from which our students can select according to their own interests and concentrations, comprising more than 1,000 courses and a total of 36 different majors and three concentrations for the 2020/2021 school year. We believe that the comprehensive education programs we offer and the success of our students finding job placements upon graduation have helped us to build a strong reputation and attract high-quality students from Shanxi Province and across China. See “— Our College — Curriculums and Degrees” and “— Our College — Career Development” below for further details.

We believe our leading position in the market and history of successful growth provide us with a significant advantage over new entrants into the market who face significant barriers to entrance. Aspects of such advantage include:

*Established reputation and brand awareness:* We believe a college’s reputation and recognition in the market is one of the most important factors that parents and students consider when choosing schools and is critical to our ability to attract new students and place graduating students in attractive jobs. This is particularly important with respect to a private college which has a comparatively shorter history in Shanxi Province and across China. Establishing a strong reputation within the market takes time and years of experience. Our success has been widely recognized, as is illustrated by the numerous awards our College has received, including being named a member of the National Education System Exceptional Group (全國教育系統先進集體) and a member of the National Exceptional Society Organization (全國

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先進社會組織) by the relevant ministries in the PRC, among many other honors and awards. See “— Awards and Recognitions” in this section for further details. Having built up such reputation and recognition over a long and successful operating history allows us to compete with other college more effectively.

*Extensive operational experience, diverse existing curriculum and seasoned teaching staff:* Operating an institution of higher education requires extensive knowledge and experience and diversified, high-quality curriculums and course and major offerings. Building such curriculums across a broad range of subject takes significant time. So do identifying and hiring qualified teaching staff and developing lasting cooperative relationships with industry partners. We have built a diverse set of curriculums and cultivated a highly qualified teaching team. We had a team of teaching staff of approximately 1,102 teachers as of December 31, 2020. As of December 31, 2020, our full-time teaching staff had an average of more than four years of teaching experience, all of our full-time teachers had obtained a bachelor’s degree, and approximately 84.6% of our full-time teachers had obtained a master’s degree or above.

*Sufficient infrastructure and facilities:* Establishing a private institution of higher education requires significant initial capital investment, including the costs of acquiring land for the school site, constructing school facilities and purchasing teaching equipment. Over the course of our history, we had made significant investment in acquiring land for our school sites and constructing teaching buildings, dormitories and students activity buildings on our Longcheng campus and, later, on our Beige campus. As of December 31, 2020, we had property, plant and equipment amounting to RMB637.8 million and land use rights amounting to RMB89.0 million. We have already built solid infrastructure and our current facilities on our two campuses have allowed us to build up our student body and will allow us to continue to expand going forward. We believe such investment will allow us to take advantage of continuous growth in demand for higher education in Shanxi Province. See “— Our Competitive Strengths — Well-positioned to benefit from the growing market demand for private higher education and technical talents in Shanxi Province” below for further details.

### **Application-oriented course offerings focused on teaching practical skills and preparing students to readily enter the workforce**

One of our key educational missions is to help our students obtain the knowledge and skills they need to advance in the careers they choose. We focus on providing application-based education to equip our students with practical skills relevant to careers through application-oriented education plans. We believe our emphasis on developing advanced, career-focused skill sets helps make our students more appealing to potential employers. Unlike many public universities that also function as research institutions and allocate a substantial portion of their resources to academic research, we focus primarily on teaching practical skills to our students by providing application-oriented curriculums and practical training programs. To ensure we are able to effectively prepare our graduates to succeed in their chosen careers, we also continue to make efforts to understand the demands of the modern job market and adjust our major offerings and curriculums accordingly. We believe our lean management structure and streamlined internal approval procedures allow us to react quickly to the ever-changing landscape of the job market. Over the Track Record Period, through research and empirical analysis, we identified a number of strategic and emerging industries for which there was significant and increasing market demand for qualified personnel, particularly in Shanxi Province. Such industries included information technology, healthcare, and culture and tourism. To help prepare our students to meet demands in these industries, our College offered 15 new majors and one concentration during the Track Record Period,

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including urban management, health service and management, data science and big data technology, Chinese language international education, internet finance, hotel management, aviation services art and management, and artificial intelligence, among others.

As part of our practical focus, we place significant emphasis on encouraging and developing the entrepreneurial skills of our students offering relevant entrepreneurship programs and activities to students throughout their school career at our College. We incorporate mandatory and elective courses in entrepreneurship and innovation-related subjects into our curriculums. As of Latest Practicable Date, we also had a pool of 60 entrepreneurship and employment mentors providing entrepreneurship and innovation related instruction, guidance and advice to our students on their entrepreneurship projects.

We supplement formal entrepreneurship instruction and guidance with a number of relevant extra-curricular activities and opportunities. Our College encourages and assists with student start-up projects by providing on-campus incubation facilities. As of the Latest Practicable Date, we had a total GFA of 5,517.4 sq. m. on our campuses dedicated to incubating over a hundred student innovation and entrepreneurship projects, among which over 30 of them had reached the stage of developed student start-up businesses. During the Track Record Period, we have also organized and encouraged our students to participate in entrepreneurship and innovation competitions to seek professional advice. The projects developed by our students have won numerous awards nationally and provincially, including in the National College Student E-commerce “Innovation, Creativity and Entrepreneurship” Challenge Competition (全國大學生電子商務「創新、創意及創業」挑戰賽), among others.

As a result of our efforts on entrepreneurship and innovation, our College was recognized as a Model Institution for Education and Reform of Undergraduate Innovation and Entrepreneurship (山西省深化創新創業教育改革示範高校) by the Department of Education of Shanxi Province in 2017, was granted the Outstanding Organization Award (優秀組織獎) in the Shanxi “Internet +” College Student Innovation and Entrepreneurship Competition (山西省「互聯網+」大學生創新創業大賽) organized by the Department of Education of Shanxi Province from 2018 to 2020, and was awarded the Special Contribution Award (特別貢獻獎) in 2018 and 2019 and the Outstanding Organization Award (優秀組織獎) in 2018, in the Shanxi Province Chinese Vocational Education Innovation and Entrepreneurship Competition (山西省中華職業教育創新創業大賽) by the China Vocational Education Society of Shanxi Province (山西省中華職業教育社).

We also maintain close relationships with over 100 companies in various sectors and fields with practical experience in relevant industries to help us understand employer preferences and design our course offering to simulate real work situations. See “— Active coordination with companies in various industry sectors through joint curriculum design, student cultivation and practical training programs” below for further details.

We supplement our practical curriculum with guidance and additional activities aimed at helping our students prepare to enter the work force. We offer career guidance services to our students through full-time employment faculty advisors at our career center, employment counselors at our 12 schools and external entrepreneurship and employment mentors, including practitioners from various private enterprises and public institutions. Our career center organizes employment-related activities, including inviting guest professionals with comprehensive industrial backgrounds and practical experience to speak with students in group settings. In the 2017/2018, 2018/2019 and 2019/2020 school years, we invited 42, 73 and 38 professionals, respectively, to hold career development-related lectures, workshops and forums for our students. In the 2017/2018, 2018/2019 and 2019/2020 school years, 187 large-scale events were held in total, and thousands of students participated in such events.

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We believe the effectiveness of our practical focus is reflected in the success our students have had in finding jobs upon graduation. Our Initial Employment Rate was approximately 94.2% and 90.8% for the 2017/2018 and 2018/2019 school years, respectively. In contrast, China's overall Initial Employment Rate for higher education graduates was approximately 78.2% and 78.2%, respectively, in the same school years, according to the Frost & Sullivan Report. Our Initial Employment Rate for the 2018/2019 school year was approximately 90.8%, compared to the average Initial Employment Rate of private higher education institutions in Shanxi Province of approximately 73.5% for the same year, ranked the first among all private higher education institutions in Shanxi Province, according to the Frost & Sullivan Report. We believe our focus on the development of majors and courses involving the new economy-related industries, and high Initial Employment Rates of our graduates will continue to strengthen our brand image as a leading private higher education service provider in Shanxi Province and distinguish our Group from our competitors.

Furthermore, in order to facilitate our students' job searches and help companies meet candidates, we host a number of different job fairs throughout the school year. Each year we invite companies onto our campuses to attend our large annual job fair. In the 2017/2018 and 2018/2019 school years, approximately 186 and 80 companies, respectively, attended our annual job fair. In the 2019/2020 school year, due to restrictions on large gatherings necessitated by the COVID-19 pandemic, we were unable to hold such job fair on campus. Instead, we arranged our 2019/2020 annual job fair in five online sessions, through which our students were able to apply for jobs online and interview with pre-screened participating companies. Participating companies were able to share relevant recruitment information by WeChat with our students, apply to our 12 schools to hold information sessions online, and select students to apply for positions online and schedule a video interview. Over 600 companies selected by us attended these five online sessions of our annual job fair, including 28 Fortune Global 500 companies, 43 companies from Fortune 500 Enterprises of China, 55 listed companies, among many other notable companies. Attending companies were looking to fill over 2,000 job openings to our students.

Starting from the 2018/2019 school year, our College has also held a number of industry job fairs (行業招聘會) for individual enterprises in one or more of our College's 12 schools throughout the school year. In the years ended August 31, 2019 and 2020 and for the four months ended December 31, 2020, we held seven, 11 and six such industry job fairs, respectively. According to our internal employment quality report for graduates based on data from University Graduate Employment Management System of MOE and questionnaire surveys from our graduates and their employers for the 2018/2019 school year, the satisfaction rate of our graduates towards their employment was 95.3%, and towards the career services of our College was 93.6%, while the employers' satisfaction rate towards the graduates of our bachelor's degree program was 95.2%, and towards the career services of our College was 91.3%.

### **Active coordination with companies in various industry sectors through joint curriculum design, student cultivation and practical training programs**

To assist our students in exploring career paths, finding suitable job opportunities and obtaining real-life working experience before their graduation, we have forged meaningful industry connections and established college-industry collaboration programs to combine resources from our College and third-party enterprises to create an educational environment that blends academic teaching with practical training. Collaboration between our College and companies in private industry took a variety of forms, including jointly formulating curriculum offering, building training base on our campuses and inviting industry experts and helping to arrange internships and practical training opportunities for our students.

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Leveraging our position as a leading provider of private higher education in Shanxi Province, we have fostered close collaboration with enterprises from various industries to facilitate teaching and provide employment support for graduating students. According to Frost & Sullivan Report, we ranked first in terms of the initial employment rate for graduates among all private higher education institutions in Shanxi Province with an initial employment rate of approximately 90.8% in 2019, compared to an average Initial Employment Rate for private education institutions in Shanxi Province of approximately 73.5% in the same year. As of the Latest Practicable Date, we had established collaborative relationships with more than 100 corporate partners in the PRC, including a major national insurance company and a leading electronics retailer, among many others with which we had created approximately 115 college-industry collaboration programs. Through our college-industry collaboration programs, we successfully developed applied courses, established practical training bases and provided significant numbers of internships and practical training opportunities to our students. For example, starting in 2019 we cooperated with a culture and media company in Shanxi Province to design a course focusing on alcohol and beverage knowledge and bar management based on up-to-date industry practices. We also cooperate closely with specific enterprises, such as an e-commerce technology company in Shanxi Province, to establish programs closely-tailored to meet the specific needs of our enterprise partners. In addition, we established an enterprise-like simulated training base at our College with a securities company in Shanxi Province. Also, as of the Latest Practicable Date, there were a total of 103 off-campus internships and practical training programs in progress that we had arranged for students. For details of our collaboration with industry participants, please refer to the section headed “— Our College — College-Industry Collaboration” in this document.

We believe that the significant collaborative relationships we have built and maintained with companies in private industry enable us to evaluate and adjust our curriculums from a demand-side perspective, while providing students with the opportunity to gain real-life working experience onsite to supplement their classroom learning, develop practical skills and cultivate a general business sense in a chosen industry.

### **Well-positioned to benefit from the growing market demand for private higher education and technical talents in Shanxi Province**

We believe we are well-positioned to benefit from the growing market demand for private higher education and technical talent in Shanxi Province, given our focus on professional training and our established reputation.

The private higher education industry in China has experienced significant growth in recent years. According to the Frost & Sullivan Report, total revenue from the private higher education industry in China grew from RMB92.5 billion in 2015 to RMB135.6 billion in 2019, representing a CAGR of 10.0%. This number is expected to continue to grow in the future, increasing to RMB198.4 billion by 2024, representing a CAGR of 7.9% from 2019. The total number of students enrolled in private institutions of higher education in the PRC also grew, increasing from 6.1 million in 2015 to 7.1 million in 2019, representing a CAGR of 3.8% and is expected to continue to grow to 8.0 million by 2024, representing a CAGR of 2.5% from 2019. This trend has also been present in Shanxi Province, where, according to the Frost & Sullivan Report, total revenue from the private higher education industry from RMB1.6 billion in 2015 to RMB2.3 billion in 2019, representing a CAGR of 8.9%. According to the Frost & Sullivan Report, such growth is being driven by, among other factors, a scarcity of higher education resources in the province, the market’s growing demand for workers with strong technical skills and favorable regulations and governmental policies supporting the development of private institutions of

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higher education, which partly offsets the influence of the transformation of independent colleges to public higher education institutions. See “Industry Overview” and “Regulatory Overview” in this document for details.

We believe this trend offers significant growth opportunities for private higher education institutions in Shanxi Province with strong and established reputations and successful track records, like our College. As one of the most established and reputable private higher education providers in Shanxi Province, with an effective practical and application-oriented focus, we believe we are well-positioned to take advantage of the growth in our industry and region.

### **Experienced, stable and well-established management team with proven track record, supported by seasoned high-caliber teachers with extensive teaching experiences**

We believe our experienced management team has been instrumental to our success as a leading private higher education provider in Shanxi Province. Members of our management team possess extensive knowledge and expertise in private higher education. Our key management personnel have been working with our College for more than nine years on average and have extensive experience in school management. Many of such management personnel have been working with us since the beginning of their careers in education and have been promoted internally to management positions. As a result, our management team has a strong understanding of our business and a sense of ownership that incentivizes them to carry our enterprise forward.

Our management team is led by Mr. Niu Sanping, the founder and principal of our College and Chairman of our Company. Mr. Niu has been deeply involved in the private higher education industry since 1987, when the industry was predominantly focused on public schools. Mr. Niu has been the vice chairman of the Shanxi Society of Professors\* (山西省教授協會) since December 2018, a deputy to the 13th People’s Congress of Shanxi Province since January 2018 and a vice-chairman of Shanxi Committee of Chinese Peasants and Workers Democratic Party since June 2007. Mr. Niu has also received numerous awards in recognition of his contribution to private education in Shanxi Province, including being named (i) an Outstanding School Sponsor of Private Education\* (民辦教育優秀辦學者) by Shanxi Province Association for Private Education\* (山西省民辦教育協會) in July 2011, and (ii) an Exceptional Worker in the Education System of Shanxi Province\* (山西省教育系統先進工作者) granted by the Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳) and the Department of Education of Shanxi Province in September 2018.

Mr. Niu Jian, our executive Director, joined our Group in December 2007 as the principal assistant and executive principal of our College and was appointed as the chief executive officer of our Company in October 2020. Mr. Niu has more than 13 years of experience in the education industry. Mr. Niu served as a committee member of the 12th Shanxi Youth Federation\* (山西省青年聯合會第十二屆委員) since 2020, a representative committee member of the 5th People’s Congress of Xiaodian District, Taiyuan City, Shanxi Province\* (山西省太原市小店區第五屆人大) in 2016 and a committee member of Taiyuan Municipal Committee of Shanxi Province\* (山西省太原市市政協) since 2017. He also served as the executive director (常務理事) of the 1st Council of the New Social Class in Shanxi Province\* (山西省新社會階層第一屆理事會) in 2016. Mr. Niu is responsible for overall management and strategic development of our Group.

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Ms. Zhang Zhonghua, our executive Director, joined our College in 2006 and has served as deputy director and subsequently director of human resources department, member of school affairs committee, principal assistant and currently as a deputy principal of our College. Ms. Zhang obtained a master degree in business administration from University of Shanghai for Science and Technology (上海理工大學) in Shanghai, the PRC. Ms. Zhang is currently a committee member of the Shanxi Provincial Party Committee of the China Agricultural and Democratic Party (中國農工民主黨山西省委員會). Ms. Zhang is responsible for human resources management, quality control and external affairs of our College and is a key member of our management team who is deeply involved in the daily operation and management of our College.

We believe that our management team’s extensive experience and involvement in the education industry has provided us with valuable industry insight and expertise, and has allowed us to manage our operations efficiently and better achieve our business goals. See “Directors and Senior Management” in this document for further details.

We believe the quality of education we provide is largely dependent on the quality of our teachers. We have cultivated a highly qualified teaching team possessing rich subject knowledge, teaching experience, industry expertise and practical skills. We have formulated strict standards and procedures for recruiting teachers, and conduct assessments of teachers, such as student satisfaction surveys, regularly. As of December 31, 2020, we had 558 full-time teachers, among which 472, or approximately 84.6%, had a master degree or above, and 153, or approximately 47.2%, of our full-time teachers with the title of lecturer or above also had relevant professional qualification. In addition, as of December 31, 2020, 423, or approximately 75.8%, of our full-time teachers and 432, or approximately 79.4%, of our part-time teachers had relevant teacher qualification certificates. According to the Regulations on Teacher Qualification Certificates (《教師資格條例》), personnel specialized in teaching activities in schools and other educational institutions must obtain teacher qualification certificates (教師資格證書) from education authorities. According to our consultation with the Department of Education of Shanxi Province in November 2020, which is the competent authority to confirm such matters as advised by our PRC Legal Advisors: (i) our teachers who did not graduate from normal universities must undergo a training period of one to three years after graduation to be eligible to take the teacher qualification certificate exam. During the training period, these teachers are permitted to engage in teaching activities at our College; and (ii) our College will not be subject to administrative penalties due to the lack of teacher qualification certificates for such teachers. As of the Latest Practicable Date, as confirmed by our Directors, we had not received any notice of warning or been subject to any penalties or disciplinary action from government authorities due to the lack of teacher qualification certificates for such teachers. We encourage teachers who have not yet obtained a teacher qualification certificate at the time they are hired to obtain such certificate within the calendar year they become eligible to take the teacher qualification examination. As of the Latest Practicable Date, all our full-time teachers either had obtained a teacher qualification certificate or were still in the three-year training period. We also hired part-time teachers including professionals in various industries and regarded them as a necessary supplement to our full-time teacher team, who are able to bring different perspectives, novel teaching methods and practical social skills to our teaching team. In particular, we value building up and training our young teaching staff. As of the Latest Practicable Date, we had 724 young teachers (i.e. teachers who were born on or after January 1, 1980) in our 12 schools.



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### OUR BUSINESS STRATEGIES

#### **Increase our College’s capacity and student body and improve the teaching and living environment by building new facilities**

We have been improving, and intend to continue to improve, the facilities on our two campuses, which will enable us to accommodate more students and further increase student enrollment at our College. During the Track Record Period, we built significant additional facilities to improve our teaching facilities, provide a better learning environment for our students and increase our College’s student capacity. In December 2018, we completed two teaching buildings (a science building and a laboratory building) and a new student dormitory with aggregate floor area of approximately 24,923.8 sq. m. as part of Phase II of our construction plan for our new Beige campus. In July 2019, we completed two new student dormitories and a new staff dormitory, with aggregate floor area of approximately 21,427.0 sq. m. as part of Phase III of our construction plan for Beige campus, to help further improve the ratio of school site area/teaching and administrative building area to the number of students enrolled and to increase our College’s student capacity. The two newly established dormitories have an aggregate gross floor area of approximately additional 17,177.1 sq. m. and can accommodate an additional approximately 2,000 students, increasing our College’s total capacity by approximately 12.3%. This has also allowed us to upgrade housing conditions, and we relocated over 1,700 students from Longcheng campus to the new dormitories in Beige campus in July 2019. These additional facilities will allow us to continue to grow our student body. Our total school capacity for the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years was 17,256, 16,812, 19,325 and 19,010 students, respectively and our utilization rate of such capacity was 97.6%, 96.8%, 86.0% and 90.7%, respectively. We currently plan to increase student enrollment to reach 20,000 students by the end of 2025.

Going forward, we plan to initiate construction of Phase IV of our Beige campus on our existing owned land located on Beige campus, for which we had obtained the land use right certificate. See “— Properties — owned properties” in this section for further details of such owned land. This phase will add approximately aggregate proposed gross floor area of approximately 73,129.5 sq. m. to our Beige campus, and will include a teaching building with a total proposed gross floor area of approximately 17,766.5 sq. m., a library with a total proposed gross floor area of approximately 48,653 sq. m. and a gymnasium with a total proposed gross floor area of approximately 6,710 sq. m. We obtained the approval for our adjusted plans in May 2021. We are currently in the process of applying for construction permits from the local governmental authorities. In May 2021, with the assistance of our PRC Legal Advisors, we consulted with the Bureau of Administrative Approval of the Shanxi Transformation and Comprehensive Reform Demonstration Area (山西轉型綜合改革示範區行政審批局), being the competent authority for approval of construction commencement permits in such area. During the consultation, such bureau advised that there are no material impediments for our College to obtain a construction commencement permit and they expect that such permit will be issued by the end of June 2021. As of the Latest Practicable Date, there were only four teaching buildings in our Beige campus, and the teaching area was relatively limited compared to our current student body on Beige campus. Moreover, students on Beige campus did not have easy access to an on-campus library and gymnasium, unlike students on Longcheng campus. Phase IV of our Beige campus will help improve the teaching facilities and thus provide better education resources to our students. Construction of these additional buildings will also improve the ratio of school site area/teaching and administrative building area to the number of students enrolled to better comply with the requirements set by relevant authorities. See “— Properties — Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled” for further details. We expect construction for this project to begin in the third quarter

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of 2021 and be completed by the end of the first quarter of 2024. Total capital expenditure for the project is expected to be approximately RMB201.6 million, all of which is expected to be incurred by the end of the first quarter of 2024. The following chart sets out key information for our construction plan for Phase IV of Beige campus:

<b>Construction</b>	<b>Expected Starting Date</b>	<b>Expected Completion Date</b>	<b>Estimated Capital Expenditure</b>	<b>Timing of Estimated Capital Expenditure to be Incurred</b>
	<i>(estimated)</i>	<i>(estimated)</i>	<i>(approximately)</i>	<i>(estimated)</i>
Teaching building	Third quarter of 2021	Third quarter of 2022	RMB35.5 million	End of the third quarter of 2022
Library	First quarter of 2022	First quarter of 2023	RMB146.0 million	End of the first quarter of 2023
Gymnasium	First quarter of 2023	First quarter of 2024	RMB20.1 million	End of the first quarter of 2024

We plan to fund such construction with the net [REDACTED] from the [REDACTED] of approximately [REDACTED] million and the remaining approximately [REDACTED] million will be funded by our internal resources. See “Future Plans and [REDACTED]” for further details.

In addition to capacity constraints and sufficiency of teaching facilities, our ability to increase student enrollment is also dependent on receiving increasing student admission quotas. During the Track Record Period, for each school year, such quotas are set and approved by the Shanxi Development and Reform Commission (山西省發展和改革委員會) and the Department of Education of Shanxi Province for the 2017/2018 school year and by the Department of Education of Shanxi Province since the 2018/2019 school year. The main factors these education authorities take into consideration include capacity, current status of school development, enrollment and registration in previous years, teaching qualities and the employment rate of graduates. We believe our recent and future planned investment in the teaching and living facilities will improve the quality of the education we are able to provide, help us achieve better school development and higher student enrollment and registration rates, making it more likely for the relevant government authorities to grant our College larger admission quotas. The number of students enrolled in our undergraduate program increased from 16,278 students for the 2018/2019 school year to 16,616 students for the 2019/2020 school year. The number of students enrolled in our undergraduate program further increased to 17,233 students for the 2020/2021 school year. Going forward, we expect the number of students enrolled in our undergraduate program will continue to grow, increasing our overall student enrollment.

We believe our expansion plans are reasonable given market conditions. According to the Frost & Sullivan Report, the market demand for high-quality higher education in Shanxi Province, particularly practical skills-focused private higher education, has grown significantly, and is expected to continue to grow over the next several years. See “— Our Competitive Strengths — Well-positioned to benefit from the growing market demand for private higher education and technical talents in Shanxi Province”. With the number of students interested in higher education in Shanxi Province continuing to grow while higher education resources in the province remaining relatively scarce and market demand for quality graduates remaining high, we believe there will be sufficient market demand for our planned expansion.

## BUSINESS

### Expand our operations through acquisition

We intend to look for suitable opportunities to acquire or invest in private institutions of higher education that have substantial growth potential, or to acquire a parcel of land. We will continue to look into both of these options and ultimately implement the plan which appears the most feasible and on which we have been able to make the most progress. To the end of acquiring or investing in private institutions, we will primarily focus on higher education service institutions located in Shanxi Province, other parts of North China (not including Inner Mongolia) and Northeast China which have total student enrollment of at least 5,000 students and annual revenue of at least RMB100 million and whose school sponsor(s) have either elected or will elect them to be for-profit private schools. As confirmed by our PRC Legal Advisors, future acquisitions of for-profit private schools could generally be implemented through entry into supplementary agreements to the current Contractual Arrangements. The new private institutions to be acquired will also conduct operations under contractual arrangements with the Group. Any new or supplementary agreements to the Contractual Arrangements for future acquisition, investment or establishment of schools will be subject to the compliance with the Listing Rules, including Chapter 14A thereof. According to the Frost & Sullivan Report, as of the 2019/2020 school year, there were 30 to 35 higher education institutions in North China (not including Inner Mongolia) and 30 to 35 higher education institutions in Northeast China which satisfied our student enrollment and revenue targets. With regard to the proposed acquisition of additional land, we will explore suitable land in Shanxi Province preferably near our Longcheng and Beige campus, with a gross site area of no less than 100,000 sq. m. for the purposes of expanding our current campuses, building new campuses for our College, or establishing a new school. We intend to mainly focus on areas in which private higher education has achieved a certain foundation but still has significant growth potential and where there is growing local demand for a well-educated, skilled work force. To this end, we plan to either (i) invest a total of approximately [REDACTED] million to acquire one private school by each of the end of 2021 and 2022 (which we would plan to fund using net [REDACTED] from the [REDACTED] of approximately [REDACTED] million, with the remaining approximately [REDACTED] million to be funded by our internal resources) or (ii) invest approximately [REDACTED] million to acquire a parcel of land by the end of 2023 (which we would plan to fund entirely using net [REDACTED] from the [REDACTED] of approximately [REDACTED] million). The estimated capital expenditure for the acquisition of two schools and the parcel of land was determined based on the currently available historical transaction data of listed companies engaging in the provision of higher education services and feasibility studies we conducted, respectively. The actual investment amount is subject to the market conditions and availability of targets. If the actual investment amount exceeds our expected capital expenditure, we intend to fund any shortfall with our internal resources. As of the Latest Practicable Date, we had not identified any specific target for acquisition or investment. See “Future Plans and [REDACTED]” for further details.

When conducting our analysis regarding potential acquisition of target schools, we will primarily consider the following criteria: the level of education the target school provides, the target school’s operating scale, the region in which the target school is located, the quality of the teaching staff, the quality of the education or training programs, the asset conditions and the financial status of the target school, as well as any potential tax implication or financial impact such acquisition may have on our Group. When considering potential acquisition of land, we will primarily consider the region in which the target land is located, the distance of the target land to our current campuses, the legal procedure that may be required to obtain the land use right certificates and the potential synergies a newly-built campus or school on such land may generate for our College. We will carefully evaluate these factors based on a totality of circumstances in order to identify the most suitable acquisition target(s) for our expansion. As of the Latest Practicable Date, we had not yet identified any specific acquisition targets.

## BUSINESS

### **Further improve and diversify our curriculum offerings and course design and continue to provide practical training to our students**

We believe that our diversified practical course offerings help distinguish us from our competitors and make us attractive to potential applicants. To maintain our competitive advantage and enhance our reputation, we plan to continue to design new courses and adjust our existing courses to reflect evolving job market trends. We intend to (i) conduct further research on supply and demand in the job market, including collecting employment data from relevant national and provincial government authorities to better understand demand for university graduates; (ii) engage third party industry research institutions to conduct analysis on employment demand, both generally in the PRC and specifically in Shanxi Province; (iii) consult with our experienced teachers including professionals from various industries serving as our part-time teachers on how to adjust, update and improve our major offerings and curriculum design to keep pace with the changing landscape of the job market; (iv) work with our industry partners to optimize our course offerings; and (v) maintain and enhance existing collaborative relationships with companies in Shanxi Province and actively seek more collaboration opportunities with companies both inside and outside of Shanxi Province to provide more practical training opportunities to better prepare our graduates to enter the job market. We will continue to monitor the development of new sectors in the economy and job market trends and changing demand for professional talent through regular meetings and close communication with college-industry collaboration partners and professionals from various industries working with us as technical experts, with a view towards creating new majors and optimizing our existing curriculums on an on-going basis.

We believe we can only provide our students the quality of education and professional training they seek if we have up-to-date technologies, equipment and facilities to support their learning and training. Therefore, to fully embrace the growth of the new economy, we intend to continue to invest in the teaching facilities, equipment and technologies needed to effectively teach new economy-related specialties such as food nutrition and health, cooking and nutrition education and sports rehabilitation and nursing, following the spirit of recent national industry development plans of the PRC, in each of the 2020/2021, 2021/2022, 2022/2023, 2023/2024 and 2024/2025 school years. We plan to fund such purchases with net [REDACTED] from the [REDACTED] of a total of approximately [REDACTED] million. We also plan to renovate and upgrade teaching buildings and dormitories on our Longcheng campus. We expect to incur total capital expenditure of approximately RMB50.0 million for the renovation and upgrade projects spending approximately RMB10.0 million each year from 2021 to 2026. We plan to fund such projects with the net [REDACTED] from the [REDACTED] of approximately [REDACTED] million and the remaining approximately [REDACTED] million will be funded by our internal resources. See “Future Plans and [REDACTED]” for further details.

### **Expand the scope of our educational service offerings to capture additional growth opportunities**

We intend to continue expanding and diversifying our majors and course offerings in response to industry trends and market developments in order to continue to diversify and improve the educational opportunities we provide to students and to strengthen our reputation for providing well-rounded education with a practical application focus.

We will continue to monitor trends in the local job market and leverage our existing strengths, including advanced facilities and equipment, experienced teaching staff (including industry experts as adjunct professors), and deep cooperative relationships with enterprise partners, to create new courses and majors addressing such trends. We have already invested significant time and resources into this strategy. In the 2020/2021 school year alone, we began admitting students to three new majors: artificial

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intelligence (人工智能), home economics (家政學), aviation services art and management (航空服務藝術與管理), and one new concentration: preschool education (early education concentration) (學前教育(早期教育方向)). We had a total of 255 students enrolled in these three new majors and one concentration as of December 31, 2020. Going forward, we will continue to expand into promising areas. For example, we believe there will be increasing demand in healthcare industries for educated professionals and plan to establish new majors related to food nutrition and health, cooking and nutrition education, and sports rehabilitation nursing, among others. According to the Frost & Sullivan Report, it is estimated that the supply-demand gap for talent in the healthcare market is expected to reach 30.3 million by 2024. We also believe there will be increasing demand for professionals in the culture and art industries and plan to set up new majors related to theater, film and television art design and film and television production, among others. New majors may also help us obtain increases in our student admission quota, which will help us raise student enrollment numbers in accordance with our expansion plan. Five new majors to be offered by our College were approved by MOE in February 2020, including cross-border e-commerce, nursing, sports rehabilitation and cooking, nutrition education and art design for drama, film and television. We plan to begin offering these five new majors to our students in September 2021.

### **Continue to build and improve our highly qualified teaching team**

We believe that the quality of our teaching team is among our most valuable assets and instrumental to our success as a private education provider. Thus, we plan to take both internal and external measures to keep improving the quality of educational services delivered to our students, as well as increasing the number of our full-time and part-time teachers to improve our teacher-to-student ratio to meet the basic school operating condition indicators. See “— Our Teachers — Our Teaching Staff” for further details. We plan to further improve our existing training mechanisms for teachers by providing to our teachers more diverse training opportunities. We will further encourage our teachers to participate in teaching competitions, academic conference and teaching workshop to improve their professional skills and teaching quality. Going forward, we intend to optimize our training programs to provide more training opportunities for teacher’s development and growth. Additionally, we intend to continue to improve compensation and benefits for our teachers with additional rewards for extra teaching hours, responsibilities and academic results. We also plan to add flexibility to our compensation system so as to incentivize our staff and help to retain core staff members.

In addition to taking measures to retain and continue to train our existing faculty, we also plan to further expand our teaching workforce through lateral hiring. In particular, we will look to increase the number of teachers who in addition to teaching qualifications and experience, also possess advanced degrees in their fields of expertise and related industry experience. We are further raising our recruitment standards, giving preferable consideration to teachers who possess both undergraduate degree and master degree in the same major as their fields of expertise and teachers who graduated from top-tier domestic and international universities. As we believe that cooperation with enterprises and other employers would help us to better understand the job market and achieve better employment results for our students, we also plan to hire more professionals from various industries as adjunct professors as necessary. As of December 31, 2020, we had 30 technical experts among our 544 part-time teachers, including technical experts with significant industry experience in accounting, management, finance, technology, musicology and dance, among others. We expect to hire additional full-time teachers every school year by evaluating the scale of student body, teaching tasks, our curriculum offerings and number of full-time teachers who left during the previous school year prior to the commencement of the school year. We also expect to hire additional part-time teachers based on our increasing long-term and short-term needs in accordance with increasing number of practical training courses we offer going forward.

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**OUR EDUCATIONAL MISSION**

Our mission is to “work conscientiously to cultivate qualified talent for society (兢兢業業為社會培養合格人才).” We are dedicated to (i) building our College into a modern institution of higher education of superior quality, and (ii) equipping our students with practical and readily applicable skills that meet the ever-changing demands of the job market.

**OUR COLLEGE**

*History and Overview*

Our College was approved for establishment by the People’s Government of Shanxi Province and registered under the name of Shanxi Vocational College of Technology and Business\* (山西工商職業學院) in 2004. In 2011, our College was approved and upgraded by the MOE from a vocational college to an undergraduate college with the name of Shanxi Technology and Business College (山西工商學院) to become the first private undergraduate college in Shanxi Province. In 2015, our College started to grant the bachelor’s degree to its graduates.

As of the Latest Practicable Date, our College was comprised of two campuses which together covered a total site area of approximately 481,504.4 sq. m. and housed buildings with an aggregated gross floor area of approximately 377,555.7 sq. m. As of the Latest Practicable Date, our College was also equipped with two provincial experimental teaching demonstration centers, two school-level experimental demonstration centers, and one internships and practical training base on campus.

As of the Latest Practicable Date, our College offered a total of 36 majors and three concentrations to undergraduate students in its 12 schools.

As of December 31, 2020, our College had (i) a total of 17,201 full-time students enrolled, which were all undergraduate students; and (ii) a total of 1,102 teachers, among which 558 were full-time teachers and 544 were part-time teachers. Our College generally recruits students from across China who possess a high school or equivalent qualification and have achieved our required total score on the National Higher Education Entrance Examination, junior college students who are in the final year of study and have achieved our required total score on the unified upgrading examination, or secondary vocational school students who are in the final year of study and have achieved our required total score on the relevant college entrance examination. During the Track Record Period, students from Shanxi Province accounted for more than 90% of the total number of students enrolled at our College.

The following table sets forth the number of our students who participated in the undergraduate and junior colleges programs offered by our College for the Track Record Period. See “— Our Students — Student Enrollment and Capacity” for more details.

	<b>School Year<sup>(1)</sup></b>			
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Undergraduate program <sup>(2)</sup>	15,450	15,614	16,337	17,233
Junior college program <sup>(3)</sup>	1,397	664	279	–
<b>Total</b>	<b>16,847</b>	<b>16,278</b>	<b>16,616</b>	<b>17,233</b>

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*Notes:*

- (1) The student enrollment information for the school years indicated was based on the internal records of our College. Although our school year typically starts at the beginning of September, the administrative work that facilitates the registration of students’ academic files, the collection of tuition and boarding fees and other admission-related 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 enrollment figures and certain other business operating data in this document, and the student enrollment figures listed here for the 2017/2018, 2018/2019 and 2019/2020 school years are the number of students as of September 30 of such school year. For the 2020/2021 school year, due to the impact of COVID-19, the beginning of the semester was delayed until October 12, 2020 for new students. For purposes of providing a fair comparable figure, we use the number of students as of October 31, 2020 to present student enrollment figures for the 2020/2021 school year.
- (2) The number of students includes the number of (i) students who were admitted to four-year undergraduate programs by taking the National Higher Education Entrance Examination, (ii) students who were admitted after graduating from junior colleges and continue their study at our College as third-year undergraduate students, and (iii) students who were admitted after graduating from secondary vocational schools.
- (3) Starting in the 2018/2019 school year we began to phase out our three-year junior college program and shifted our focus entirely to our undergraduate program. We stopped adding new student classes and the number of students enrolled in our junior college program decreased steadily over the Track Record Period as current classes graduated. Starting in the 2020/2021 school year, we did not have any students enrolled in our junior college program.

The following table sets forth our revenue, revenue from tuition fees, revenue from boarding fees, and gross profit margin for the Track Record Period. Aside from revenue generated from tuition fees and boarding fees, we also have other income and gains from other ancillary businesses, such as income generated from holding examinations or housing training courses as a training center for third parties, and service fees we charged our business partners in connection with their operation of canteens, stores, other facilities on our campuses. See “Financial Information — Key Components of our Results of Operations — Revenue” and “Financial Information — Key Components of our Results of Operations — Other Income and Gains” in this document for more details.

	Year ended August 31,			Four Months ended December 31,	
	2018	2019	2020	2019	2020
	<i>(RMB in thousands, other than percentages)</i>				
Revenue	267,361	266,273	271,083	110,949	110,284
– Tuition Fees	247,290	245,234	255,176	101,874	110,751
– Boarding Fees	20,071	21,039	15,907	9,075	9,533
Gross Profit Margin	64.0%	59.3%	60.5%	58.4%	58.2%

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The following pictures display aspects of our Longcheng and Beige campuses:



Longcheng campus



Beige campus

### *Curriculums and Degrees*

Over the Track Record Period we offered two formal degree programs: (i) an undergraduate program, which typically lasts four years and provides a bachelor's degree to graduating students, and (ii) a junior college program which typically lasts three years and provides an associate degree to graduating students. Starting in the 2018/2019 school year we began to phase out our three-year junior college program and shift our focus entirely to our undergraduate program. We stopped adding new student classes and the number of students enrolled in our junior college program decreased steadily over the Track Record Period as current classes graduated. As of the Latest Practicable Date, we had no junior college students enrolled in our College.

We offer a wide range of courses and majors at our College. As of the Latest Practicable Date, our College offered bachelor's degree programs in a total of 36 majors and three concentrations to undergraduate students through its 12 schools, as listed below:

- *School of Accountancy*: this school offers two majors: accounting and auditing.
- *School of Architecture and Construction*: this school offers four majors: civil engineering, engineering management, engineering cost and urban management.
- *School of Business*: this school offers three majors: business administration, marketing and human resources management.
- *School of Computer and Informational Technology*: this school offers six majors and one concentration: artificial intelligence ("AI"), computer science and technology, software engineering, electronic information engineering, Internet of Things ("IoT") engineering, data science and big data technology and computer science and technology (internet technology concentration).
- *School of Finance*: this school offers three majors: financial management, financial engineering and internet finance.



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- *School of Communication*: this school offers five majors: performance, broadcasting and hosting art, radio and television programs directing, filming and television photography and production and aviation services art and management.
- *School of Tourism and Hotel Management*: this school offers five majors: tourism management, hotel management, food quality and safety, health services and management and home economics.
- *School of Music*: this school offers two majors: music performance and dance choreography.
- *School of Art Design*: this school offers two majors: visual communication design and digital media art.
- *School of Foreign Language*: this school offers three majors: translation, business English and Chinese language international education.
- *School of Preschool Education*: this school offers one major and two concentrations: preschool education, preschool education (child massage healthcare concentration), and preschool education (early education concentration).
- *Sanniu School*: this school offers a Bachelor of Management degree for students completing the requisite courses in four majors consisting of business administration, human resources management, accounting and financial management.

As of the Latest Practicable Date, through curriculums designed for each major and concentration, we offered over 1,000 courses, including general education courses (通識課) that are mandatory for all students irrespective of their chosen major, core major-related courses and elective courses. The general education courses are taught throughout the first academic year of a student’s enrollment and include computer science, physical education and English.

We provide students with a broad range of majors. We believe these majors are currently in high demand in the relevant job markets. We generally introduce new majors based on thorough industry-sector research we conduct to identify the areas that have significant demand for professional talents from prospective employers. For example, in 2020, we established new majors and concentrations such as artificial intelligence (人工智能) and preschool education (early education concentration) (學前教育(早期教育方向)) based on our research and study of local economy and market trends, including demand for talents in the labor market in Shanxi Province.

We develop curriculums taking into consideration the basic course curriculum standards issued by the MOE for bachelor’s degree students set out in the National Standards for Teaching Quality of Undergraduate Majors in General Colleges and Universities (《普通高等學校本科專業類教學質量國家標準》) and such curriculums are generally filed with and examined by the Department of Education of Shanxi Province during the review of an application to establish new majors. We continue to adjust and optimize course offerings to keep our programs relevant and engaging. As confirmed by our PRC Legal Advisors, there is no provision under PRC laws explicitly stipulating that general colleges and universities are required to submit for approval or record to the education authorities for their adjustment and optimization of course offerings. Furthermore, according to our PRC Legal Advisors’ consultation

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via anonymous telephone with the MOE and Department of Education of Shanxi Province, a private higher education institution providing undergraduate education can generally independently set its course offerings for its current majors, as long as it satisfies the requirements set out in the National Standards for Teaching Quality of Undergraduate Majors in General Colleges and Universities, while without providing further notifications to such education authorities. Based on the foregoing, our PRC Legal Advisors are of the view that our Group is entitled to adjust and optimize course offerings without notifying the relevant authorities as long as we do not materially deviate from the approved basic course curriculum standards.

The success of our curriculum design and course offerings has been recognized within the industry. In particular, our business administration major was selected into “the 1331 Project” of Shanxi Province, an honorary recognition awarded to the leading majors among the colleges and universities of Shanxi Province. Our dance choreography major was selected to be included in the Outstanding Higher Education Majors Development Program of Shanxi Province (山西省高等學校優勢專業建設項目). We have also launched 15 Provincial Educational Reform Innovation Projects (省級教改創新項目), four of which reaped silver or gold teaching awards.

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) emerged in late 2019 and continues to endanger the health of many people and disrupt travel and the local economy in China and globally. 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.” for further details. In light of the outbreak of the COVID-19 epidemic in the PRC, our College postponed the opening of both school campuses for the spring semester of the 2019/2020 school year. In order to minimize disruption to the school year as much as possible, we started teaching classes and offering other learning activities via online platforms beginning in March 2020 while the students and faculty of our College were unable to return to school. Pursuant to the Guiding Opinions on the Organization and Management of Online Teaching in Colleges and Universities in Shanxi Province During the Period of Epidemic Prevention and Control (《關於在疫情防控期間做好全省高等學校在線教學組織與管理工作的指導意見》) issued by the Department of Education of Shanxi Province, teachers at our College attended relevant technology training through various online platforms and we selected a number of suitable platforms including WeChat, QQ, DingTalk, Tencent Classroom and Tencent Meeting, among others, on which to conduct teaching. Using such online tools, teachers were able to conduct their courses, either via live streaming or recorded lectures. These online platforms allow students to take classes online, interact with our teachers, have group discussion and participate in class quiz sessions. Our teachers prepared and adjusted their teaching materials and course designs to take into account the different features of online teaching as compared to traditional in-class teaching. In addition, we also utilized others online courses and resources, some of which we had previously purchased, as a supplement to our online teaching. Teachers were able to select from among a number of existing third-party online courses to supplement their own lectures. For example, our College entered into an agreement with a third-party education technology company, enabling our students to access approximately 380 online courses (mainly elective courses) provided by such company which students were able to take on a voluntary basis and gain credits towards their degree after successfully fulfilling the online study requirements. Those courses are generally taught by teachers from other universities or colleges nationwide and could bring in different perspectives and novel learning methods for our students. Students were also able to access other electronic resources online provided by such company, such as electronic books, journals, archived documents and videos. During the school shutdown, approximately 500 of our teachers and approximately 13,000 of our students utilized online platforms for teaching and learning remotely. Approximately 500 of our teachers did not conduct their teaching through online platform since they did

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not have teaching tasks during the school shutdown or their respective teaching tasks had been conducted by other teacher via online platform. Approximately 4,000 of our students, all of whom were in their last semester before graduation in the 2020/2021 school year and did not have on-campus classes but participated in internships outside of school did not utilize online platforms for learning during the school shutdown. We believe that by offering online teaching services, we were able to mitigate the impact of the COVID-19 outbreak and allow students to maintain progress in their learning and that our teaching has not been materially affected. We will continue to conduct online learning activities as appropriate to the extent we are unable to hold classes on campus.

As advised by our PRC Legal Advisors, delivery of 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 and therefore, do not require a telecommunication business license on our part.

After receiving approval from the local government after stringent assessment, we arranged for our students to return to school in batches in May and June of 2020. With respect to practical training courses which could not be carried out through online teaching, after our campuses reopened, we adjusted our original teaching plans to maximize laboratory utilization once students returned, arranging additional practical training courses to be taken during times in the late afternoon, evening or on Saturday morning. In addition, we arranged alternative teaching plans for students who continued to be unable to return to campus, including online instruction and daily study management. As of the Latest Practicable Date, our enrolled students had returned to school and we have held classes on both school campuses since the commencement of the 2020/2021 school year.

### *College-Industry Collaboration*

To assist our students in exploring career paths, finding suitable job opportunities and obtaining real-life working experience before their graduation, we have forged meaningful industry connections and established college-industry collaboration programs to combine resources from our College and third-party enterprises to create an educational environment that blends academic teaching with practical training. While we provide theoretical in-class teaching and learning, we also encourage students to take joint practical training courses or participate in off-campus internships and practical training programs to sharpen their skills and experience the practical aspects of the theories they have learned. These programs are consistent with the guidance and policies set out by Shanxi provincial government, encouraging cooperation between schools and business, such as the Implementation Plan for Promoting the Integration of Production and Education in Shanxi Province (《山西省促進產教融合實施方案》). We believe our applied teaching methodology and hands-on training prepare students to be gainfully employed in their respective fields of study.

As of the Latest Practicable Date, we had established collaborative relationships with more than 100 corporate partners in the PRC, including a major national insurance company and a leading electronics retailer, among many others with which we had created approximately 115 college-industry collaboration programs. During the Track Record Period, collaboration between our College and companies in private industry took a variety of forms, including jointly formulating curriculum offerings, building training bases on our campuses and inviting industry experts and helping to arrange internship and practical training opportunities for our students.

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Specific examples of our collaboration programs include the following:

- ***Joint Curriculum Design:*** We invite companies in relevant industries to participate in the design and development of curriculums for courses, as we believe that such companies are better able to anticipate developing industry trends and better able to identify the knowledge and skills students looking to start a career in their industries should acquire in school study. During the Track Record Period, we offered ten joint courses with private companies. For example, starting in 2019, our College has collaborated with a culture and media company in Shanxi Province, to develop curriculums and formulate a student cultivation plan through research and analysis of recent developments and demand in the market. We launched one such course focusing on alcohol and beverage knowledge and bar management, with the company in the 2020/2021 school year for our students majoring in School of Tourism and Hotel Management.
- ***Joint Student Cultivation:*** We cooperate closely with enterprises to train students to meet the hiring needs of the cooperating enterprises. Employees of such enterprises will participate in the teaching of relevant courses that are specifically tailored to the participating enterprises and their industry so that students can acquire specific knowledge and skills that are desired by such enterprises. For example, our College has entered a cooperation agreement with an e-commerce technology company in Shanxi Province, to jointly design e-Commerce related practical courses. The company will provide external training opportunities for our teachers, and our College will invite professionals from the company as visiting professors giving lectures to our students. We will also jointly build up on-campus and off-campus practical training bases focusing on application of the theoretical knowledge of e-Commerce, share scientific research resources, and select students for targeted training courses (訂單班) and internship programs for secure better employment opportunities offered by the company.
- ***Joint Practical Training:*** We cooperate with enterprises to provide on-campus and off-campus training, internships and practical training opportunities to our students. For example, we jointly established an enterprise-like simulated training base at our College with a securities company in Shanxi Province. This base aims to stimulate the workplace environment of a securities company, allowing participating students to practice simulated trading through mock stock trading competitions. In addition, we cooperate with enterprises to help arrange off-campus internships and practical training programs for our student corresponding with their respective majors. As of the Latest Practicable Date, there were a total of 103 off-campus internships and practical training programs in progress that we had arranged for students.

### ***International Program***

We currently also offer an international program to satisfy our students’ increasing demand for foreign language training and international exposure. In September 2017, we entered into a cooperative agreement with Cardiff Metropolitan University in the United Kingdom that allows for mutual recognition of credits of undergraduate programs between our College and Cardiff Metropolitan University. Further to this agreement, we have established a “3+1” program with Cardiff Metropolitan University, under which our students whose academic performance in the first three years of their undergraduate programs meets certain criteria set by Cardiff Metropolitan University are eligible to

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apply to enroll in a one year master's program at Cardiff Metropolitan University, obtaining both a bachelor's degree granted by our College and a master's degree granted by Cardiff Metropolitan University. As of the Latest Practicable Date, we had 13 students enrolled in this joint degree program.

### *Examinations and Grade Assessment*

We assess student performance using a variety of tests, quizzes and other graded assignments, such as course papers or presentations, on specific topics and/or practical skills taught during the term. Teachers in each class also administer final comprehensive written examinations at the end of each semester in the form of closed book or open book examinations. The final grade students receive for a particular course generally reflects his or her performance on written examinations and other graded coursework assessments as well as classroom participation. For practical training courses, the final grade students receive also depends on the results of their internship evaluations and training and practical performance. Written examinations are typically formulated by members of our teaching and research staff. Typically, two separate examinations of equivalent difficulty level are filed with our office of academic affairs. The office of academic affairs selects one of these as the final written examination for enrolled students.

### *Career Development*

One of our primary goals as a provider of higher education is to guide our students in their selection of meaningful careers and provide them with the knowledge and tools they will need to compete and succeed in the workforce. In addition to offering high-level courses and instruction with a practical focus, we have put in place a dedicated team of external entrepreneurship and employment mentors to provide career counseling services to our students. We also assign employment counselors to each of our College's 12 schools to provide employment-related information and career development guidance and advice to help students find employment.

We also work with our industry partners to help students secure job placement opportunities. Please see "— College-Industry Collaboration" above in this section for further details.

Furthermore, in order to facilitate our students' job searches and help companies meet candidates, we host a number of different job fairs throughout the school year. Each year we invite companies onto our campuses to attend our large annual job fair. In the 2017/2018 and 2018/2019 school year, over 186 and 80 companies attended our annual job fair. In the 2019/2020 school year, due to restrictions on large gatherings necessitated by the COVID-19 pandemic, we were unable to hold such job fair on campus. Instead, we arranged our 2019/2020 annual job fair in five online sessions, through which and our students were able to apply for jobs online with pre-screened participating companies directly. We designated our College's website portal for participating companies to register with our online employment platform. Once approved by our College through a preliminary screening procedure, participating companies were able to share relevant recruitment information by WeChat with our students, coordinated with our 12 schools to hold information sessions online, or participate in the online job fair, through which they were able to set up online interviews with students applying for positions with them. Over 600 companies selected by us attended these five online sessions of our annual job fair, including 28 Fortune Global 500 companies, 43 companies from Fortune 500 Enterprises of China, 55 listed companies, among many other notable companies. Attending companies were looking to fill over 2,000 job openings to our students.

**BUSINESS**

Starting from the 2018/2019 school year, our College has also held a number of industry job fairs (行業招聘會) throughout the school year. Such industry job fairs are specifically held for individual enterprises in one or more of our College’s 12 schools. In the years ended August 31, 2019 and 2020 and for the four months ended December 31, 2020, we held seven, 11 and six such industry job fairs, respectively. We also hold a series of employment-related activities, such as innovation and entrepreneurship seminars, resume design competitions, career planning competitions and mock job fair competitions. According to our internal employment quality report for graduates based on data from University Graduate Employment Management System of MOE and questionnaire surveys from our graduates and their employers for the 2018/2019 school year, the satisfaction rate of our graduates towards their employment was 95.3%, and towards the career services of our College was 93.6%, while the employers’ satisfaction rate towards the graduates of our bachelor’s degree program was 95.2%, and towards the career services of our College was 91.3%.

We believe the effectiveness of our practical focus and of our various career development assistance programs are reflected in the success our students have had in finding meaningful employment upon graduation. Our Initial Employment Rate was approximately 94.2% and 90.8% for the 2017/2018 and 2018/2019 school years, respectively. In contrast, China’s overall Initial Employment Rate for higher education graduates was approximately 78.2% and 78.2%, respectively, in the same years, according to the Frost & Sullivan Report. For the 2019/2020 school year our Initial Employment Rate fell to 72.5%, in large part, we believe to the effect of the COVID-19 pandemic.

The following table sets forth the number of graduates from our College and Initial Employment Rates by program for the school years indicated:

Type of Graduates	Number of Graduates and Initial Employment Rate					
	School Year					
	2017/2018 <sup>(1)</sup>		2018/2019 <sup>(1)</sup>		2019/2020 <sup>(1)</sup>	
	Number of Graduates	Initial Employment Rate (%)	Number of Graduates	Initial Employment Rate (%)	Number of Graduates	Initial Employment Rate (%)
Bachelor’s degree program	3,654	94.2%	3,724	90.2%	3,986	71.5%
Junior college program	662	94.1%	351	96.3%	272	86.8%
<b>Total</b>	<b>4,316</b>	<b>94.2%</b>	<b>4,075</b>	<b>90.8%</b>	<b>4,258</b>	<b>72.5%</b>

*Note:*

- (1) Consistent with the market as a whole, our Initial Employment Rate decreased significantly for the 2019/2020 school year due to the impact of the COVID-19 pandemic according to the Frost & Sullivan Report.

***Entrepreneurial Development***

We offer a number of practical opportunities outside of classes to encourage students to develop business skills and advance their careers. As of the Latest Practicable Date, we had successfully hosted a total of 45 Entrepreneur Market events on our campuses and more than 6,500 students had participated in the events.

## BUSINESS

### *On-campus incubation facilities*

We encourage our students to start businesses of their own and provide on-campus incubation facilities to encourage and assist with student start-up projects. We began providing on-campus incubation facilities for student innovation and entrepreneurship projects in 2013 and have gradually increased the space and facilities dedicated to such purpose covering a total GFA of 5,517.4 sq. m. on our campuses up to the Latest Practicable Date. These facilities included offices with separate working stations, conference rooms and common areas all providing broad band internet access, printers and other basic office equipment, furniture and supplies. Our students who use such facilities also have access to our full-time entrepreneurship faculty advisors for further entrepreneurship related advice.

Our on-campus incubation facilities, collectively known as Shanxi Technology and Business College Pioneer Park (山西工商學院創業園), were recognized as a provincial level Mass Entrepreneurship Space (眾創空間) in 2016 by the Department of Science and Technology of Shanxi Province (山西省科學技術部) and subsequently recognized as a national-level Mass Entrepreneurship Space by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in 2020.

Our incubation facilities are generally available upon application to our full-time students and recent graduates from our College for a term of one year. As of the Latest Practicable Date, we provided such facilities and services free of charge to over a hundred student innovation and entrepreneurship projects, among which over 30 had reached the stage of developed student start-up business in various sectors, including, among others, cultural creativity, media, e-commerce, advertising design, decoration, tourism, information consulting.

### *Innovation and entrepreneurship practice activities*

Our Institute of Innovation and Entrepreneurship, a non-compulsory, extra-curricular institute, which offers our students practical entrepreneurial opportunities outside of classes, generally holds “entrepreneur roadshows” (創客路演), during which student teams present their start-up projects to a panel of judges made up of current teachers, external experts and alumni. This institute is not one of our 12 schools offering bachelor’s degree programs.

We also hold regular seminars related to innovation and entrepreneurship. In the 2018/2019 school year, we held a total of over 20 seminars in which a total of 6,048 students and teachers participated. In the 2019/2020 school year, during the COVID-19 pandemic, we held a total of 15 online seminars in which a total of 3,600 students and teachers participated.

We also actively encourage students to participate in national and provincial innovation and entrepreneurship competitions (雙創大賽) at all levels. The most important of these competitions include: the China “Internet +” College Student Innovation and Entrepreneurship Competition (中國「互聯網+」大學生創新創業大賽) and the National College Student E-commerce “Innovation, Creativity and Entrepreneurship” Challenge Competition (全國大學生電子商務「創新、創意及創業」挑戰賽), among others. Among them, the “Internet+” is the most reputable and competitive competition, and the one on which we put substantial work. In 2018, our students won 13 awards in innovation and entrepreneurship competitions at the provincial level, including one silver award, four bronze awards and eight excellence awards in the 4th Shanxi Province “Internet +” College Student Innovation and Entrepreneurship Competition. In 2019, our students won one gold award and two bronzes awards in the National College Student E-commerce “Innovation, Creativity and Entrepreneurship” Challenge

## BUSINESS

Competition. Our College has also won numerous outstanding organization awards and special contribution awards as recognition of our involvement in organizing students for participating these competitions.

Our efforts to promote entrepreneurship among students of our College have been recognized by regulators and the industry. We were named by the Department of Education of Shanxi Province as a Model College for Deepening Reform of Innovation and Entrepreneurship Education (深化創新創業教育改革示範高校) in Shanxi Province in 2017.

### *School Facilities*

Our College has two separate campuses, Longcheng campus and Beige campus, both located in Taiyuan, Shanxi Province. Our campuses house a variety of campus facilities, including teaching buildings, a library, workplace simulation training studios, laboratories, practical training rooms, student admission and career services centers, multi-media rooms, canteens, outdoor sports fields and indoor courts. Internet services can be accessed anywhere on the campus. Each campus also houses student dormitories. As of December 31, 2020, dormitories on our Longcheng and Beige campuses had a combined total capacity to house up to 19,010 students. The College has a dormitory management team which provides necessary services to, and helps guarantee the security of, boarding students, including free sewing, tool rental, and lost and found services. Student dormitories are surrounded by a series of recreational facilities so that students are able to conveniently enjoy a break from their intense study life. Our Longcheng campus, covers an area of approximately 187,024.6 sq. m. Our new campus, Beige campus, is located approximately 16.5 kilometers away from our Longcheng campus. Beige campus currently covers an area of approximately 294,479.8 sq. m. and has been developed in stages. The construction of Phase I of Beige campus commenced in 2013 and completed in 2014. The construction of Phase II of Beige campus commenced in 2016 and completed in 2018. The construction of Phase III of Beige campus commenced in 2018 and completed in 2019. We plan to further expand our Beige campus with construction of Phase IV of the campus, which will add approximately 73,129.5 sq. m. of proposed gross floor area, including an additional teaching building, a library and a gymnasium. We expect construction on Phase IV to begin in the third quarter of 2021 and be completed by the end of the first quarter of 2024. Total capital expenditure related to construction of Phase IV of our campus is expected to be approximately RMB201.6 million, all of which is expected to be incurred by the end of the first quarter of 2024. We plan to fund such construction with the net [REDACTED] from the [REDACTED] of approximately [REDACTED] million and the remaining [REDACTED] million will be funded by our internal resources. See “Future Plans and [REDACTED]” for details.

## OUR TEACHERS

### *Our Teaching Staff*

We believe our ability to recruit, train and maintain a top quality teaching staff is instrumental to our success. As of December 31, 2020, we had 558 full-time teachers with an average of more than four years teaching experience. As of such date, all of our full-time teachers had obtained a bachelor’s degree, and approximately 84.6% of our full-time teachers had obtained a master’s degree or above. As of December 31, 2020 we also had 544 part-time teachers of which 395 had obtained a master’s degree or above.



**BUSINESS**

Given our focus on practical education, and in particular applied technology, we place great value on finding teachers who not only possess the necessary skills and experience with regard to instruction, but who also possess professional qualifications and/or relevant practical experience in their fields of expertise. As of December 31, 2020, 153, or approximately 47.2%, of our full-time teachers with the title of lecturer or above also had relevant professional qualifications.

The following table sets forth the number of our teachers for our College for the school years indicated:

<b>Teachers</b>	<b>Number of Teachers</b>			
	<b>School Year<sup>(1)</sup></b>			
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Full-time teachers	499	551	570	552
Part-time teachers	537	512	522	519
<b>Total</b>	<b>1,036</b>	<b>1,063</b>	<b>1,092</b>	<b>1,071</b>

*Notes:*

- (1) The number of teachers for the school years indicated was based on the internal records of our College. Although our school year typically starts at the beginning of September, the collection of tuition and boarding fees and other admission-related 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 enrollment figures and certain other business operating data in this document, and the teacher figures listed here for the 2017/2018, 2018/2019 and 2019/2020 school years are the number of teachers as of September 30 of such school year. For the 2020/2021 school year, due to the impact of COVID-19, the beginning of the semester was delayed until October 12, 2020 for new students. For purposes of providing a fair comparable figure, we use the number of teachers as of October 31, 2020 to present teacher figures for the 2020/2021 school year.

The following table sets forth a breakdown of our full-time teachers in terms of education qualification for the school years indicated:

<b>Highest Educational Qualification</b>	<b>Number of Full-time Teachers<sup>(1)</sup></b>			
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Doctoral degree	1	2	2	1
Master's degree	405	453	478	471
Bachelor's degree	93	96	90	80
<b>Total</b>	<b>499</b>	<b>551</b>	<b>570</b>	<b>552</b>

*Note:*

- (1) The statistics relating to the number of full-time teachers in each educational qualification for the 2017/2018, 2018/2019 and 2019/2020 school years are based on our College's internal records as of September 30 of such school year. For the 2020/2021 school year, due to the impact of COVID-19, the beginning of the semester was delayed until October 12, 2020 for new students. For purposes of providing a fair comparable figure, we use the number of full-time teachers as of October 31, 2020 to present teacher figures for the 2020/2021 school year.

**BUSINESS**

The following table sets forth the teacher-to-student ratio at our College as of the dates indicated:

<u>As of</u>	<u>Number of full-time teachers<sup>(1)</sup></u>	<u>Number of part-time teachers<sup>(1)</sup></u>	<u>Student enrollment<sup>(1)</sup></u>	<u>Teacher-to-student ratio calculated under the Conditions<sup>(1)(2)</sup></u>
September 30, 2017	499	537	16,847	1:22.0
September 30, 2018	551	512	16,278	1:20.2
September 30, 2019	570	522	16,616	1:20.0
October 31, 2020 <sup>(1)</sup>	552	519	17,233	1:21.2

*Notes:*

- (1) The number of students enrolled and the number of teachers are based on our College’s internal records. Teacher-to-student ratio is calculated based on the number of students enrolled and the number of teachers as of September 30 of the 2017/2018, 2018/2019 and 2019/2020 school years. For the 2020/2021 school year, due to the impact of COVID-19, the beginning of the semester was delayed until October 12, 2020 for new students. For purposes of providing a fair comparable figure, we use the number of students and teachers as of October 31, 2020 to present student and teacher figures for the 2020/2021 school year.
- (2) According to the Conditions, the number of teachers used to calculate teacher-to-student ratio equals the number of full-time teachers, plus 0.5 times the number of part-time teachers.

The teacher-to-student ratio is one of the Basic Indicators under the Conditions promulgated by the MOE in 2004. According to the Conditions, the Basic Indicators are categorized into “Qualified Indicators” (which are suggested aspirational standards) and “Restrictive Indicators” (which are suggested minimum requirements). In the event that one of the Basic 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 will be subject to certain restrictions such as, its student admission must not exceed the number of students that are graduating in the same year; and in the event that a school receives a yellow card for three consecutive years or yellow cards for two or more of the Basic Indicators of a school, it may receive a red card issued by the competent authority, in which case its student admission will be suspended. As advised by our PRC Legal Advisors, the Conditions provide the key guidance for measuring the basic operation conditions of higher education institutions in the PRC, including the teacher-to-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 “— Properties — Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled” in this section for further details.

**BUSINESS**

The different levels of indicators applied to our College, our compliance status and expected timeline of achieving Qualified Indicators are as follows:

	<u>Qualified Indicators</u>	<u>Restrictive Indicators</u>	<u>Our compliance status during the Track Record Period<sup>(1)</sup></u>	<u>Expected timeline of achieving Qualified Indicators</u>
<b>Teacher-to-student ratio</b>	1:18	1:23	Complied with Restrictive Indicators, but not complied with Qualified Indicators	By the end of the 2022/2023 school year

*Note:*

- (1) Under the calculation method prescribed in the Conditions, our teacher-to-student ratio for 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school year would be 1:22.0, 1:20.2, 1:20.0 and 1:21.2, respectively, which was compliant with the Restrictive Indicators but was not compliant with the Qualified Indicators.

As advised by our PRC Legal Advisors, with regard to the Basic Indicators, there is no provision under the Conditions stipulating that the schools which fail to meet the Qualified Indicators but have met the Restrictive Indicators are subject to any legal consequences.

As of the Latest Practicable Date, we had not received any aforementioned yellow or red card, or been subject to any administrative penalty by the relevant education authorities in relation to our non-compliance with the teacher-to-student ratio. In November 2020, with the assistance of our PRC Legal Advisors, we consulted with the Department of Education of Shanxi Province. Our PRC Legal Advisors advised us that the Department of Education of Shanxi Province was the competent education authority for such purposes. During the consultation, such department advised that (i) the Basic Indicators are only principles used by the Department of Education of Shanxi Province to provide guidance on school operations in Shanxi Province; (ii) failure to comply with such Basic Indicators will not be deemed as material non-compliance with the Conditions; and (iii) our failure to maintain such teacher-to-student ratio will not result in penalties or restrictions and/or suspensions on student enrollment or negatively affects the regular operation of our College. Based on the forgoing, our PRC Legal Advisors are of the view that the risk that our College may be penalized by the Department of Education of Shanxi Province is relatively low. See “Risk Factors — Risks Relating to Our Business and Our Industry — Our College is subject to various compliance requirements set out by the Basic Conditions for Operating Higher Education Institutions (Trial).” in this document for further details.

## BUSINESS

We endeavor to continuously improve the quality of our education, including improving our the teacher-to-student ratio. We will monitor and adjust the teacher-to-student ratio as necessary and where practicable based on the needs of our increasing student enrollments and our College's education plans and activities without compromising the quality of our education or profitability. We intend to devote additional resources to increasing teacher recruitment and retention efforts going forward to further improve our teacher-to-student ratio and our overall teaching quality in light of our growth in student enrollment and the complexity of our course offerings. We aim to comply with the relevant teacher-to-student ratio requirements and will update the status of compliance in the interim and annual reports to be issued subsequent to the [REDACTED].

### *Teacher Recruitment*

We recruit teachers based on the size of our current student enrollment and the number of newly-enrolled students at the beginning of each school year. Each of our individual schools reports their hiring needs to the human resources department of our College, who then compiles a centralized list and begins the process of identifying qualified candidates, including posting recruiting advertisements and participating in job fairs. We conduct background checks on our candidates during the recruiting process by vetting teachers' credentials and work experiences, including, among others, checking the education degree certificate, professional title certificate, teacher qualification certificate and identification card of the candidates. Before hiring a teacher, we require candidates to take a comprehensive written test and conduct a rigorous interview process. We usually consider a candidate's teaching experience, academic record and degrees, as well as his or her performance in the written test and interview. We may also require applicants to teach a live class as part of the application process. Before being officially hired, a teacher candidate will be asked to go through a mandatory one week observation period and a three to six month probation period. This helps ensure that newly-hired teachers are accustomed to our culture and teaching methods. We mainly recruit teachers who hold a master's degree or doctoral degree. We generally give qualified candidates for full-time teaching positions who possess both undergraduate degrees and advanced degrees in the same major as their field of expertise the same preferential consideration to a particularly if they with advanced degrees. From time to time, we also hire qualified teachers laterally from other private colleges in Shanxi Province. In addition to full-time teachers, we also hire experienced industry practitioners from companies in relevant industries as our part-time teachers, including professionals with extensive teaching or industrial experience in relation to at least one major we offer to students. We regard part-time teachers as a necessary supplement to our full-time teacher team, who are able to bring different perspectives, novel teaching methods and practical social skills to our teaching team. We have established guidelines regulating the hiring process and management of part-time teachers.

**BUSINESS**

***Teacher Retention***

Since the retention of talented teachers is a prerequisite for the stable development of our College 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. Please see “— Compensation and Benefits” below for further details. Our research and development fund allows teachers to improve their scientific research capabilities in different disciplines of study. In addition, we provide our teachers with continuing education opportunities, such as exchange and training opportunities at other institutes and external training opportunities at companies in private industries, social organizations and other agencies. Please see “Teacher Training” below for further details.
- we maintain a promotion system, which allows our teachers to see the potential of their success at our College and the fact that their contributions and dedication will be highly valued and recognized; and
- we share our strategic goals, culture and management policies with our teachers, which to reinforce the idea of a shared community and their potential to grow together with our College.

The following table sets forth our College’s retention rate for full-time teachers for the school years indicated:

	<b>School Year</b>		
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
Number of full-time teachers at the start of the school year <sup>(1)</sup>	499	551	570
Number of full-time teachers who left during the school year <sup>(2)</sup>	51	49	46
Retention rate for full-time teachers (%)	89.8%	91.1%	91.9%

*Notes:*

- (1) Although our school year typically starts at the beginning of September, the administrative work that facilitate the registration of students’ academic files, the collection of tuition and boarding fees and other admission-related are generally completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our enrollment figures and certain other business operating data in this document, and the teacher figures listed here for the 2017/2018, 2018/2019 and 2019/2020 school years are the number of teachers as of September 30 of such school year.
- (2) The number of full-time teachers who left our College for the 2017/2018, 2018/2019 and 2019/2020 school years included those teachers who left our College as of September 30, 2018 and 2019 and October 31, 2020, respectively. Such number was based on the internal records of our College.

## BUSINESS

### ***Teacher Training***

We provide our teachers with several types of training. In order to help teachers integrate into the teaching environment and prepare them to carry out the job, all newly-hired teachers are required to undergo a series of training programs that cover, among other things, teaching skills and techniques, teacher ethics, education theories and our management policies and culture. We also provide ongoing periodic training and special training, such as workshops, for our teachers to help them improve teaching effectiveness and stay abreast of the changes in student demands and new teaching theories and methodologies. In order to give our teachers the necessary exposure to the latest development of technologies in various industries, we also invite industry experts to provide training to our teachers. We encourage teachers who have not yet obtained a teacher qualification certificate at the time they are hired to obtain such certificate within the calendar year they become eligible to take the teacher qualification examination. We also provide opportunities for our teachers to visit and study at other institutes and attend training programs at companies in private industries, social organizations and other professional agencies.

### ***Compensation and Benefits***

We offer competitive compensation and benefits in order to retain and attract talented teachers. Our teachers' compensation packages typically include (i) a base salary, performance-based bonus and occupation-based allowance, as well as subsidized meals and mobile services; (ii) annual medical check-ups and transportation services free of charge; and (iii) paid leaves. In addition, we also provide our teachers with a variety of benefits, including social insurance, subsidized housing and other fringe benefits.

### ***Teaching Performance Evaluations***

To ensure that we continue to provide high-quality education to our students, we monitor the overall teaching quality during each semester through periodical inspection. Staff from our Office of Academic Affairs and Teaching Quality Monitoring and Evaluation Center (教學質量監控與評估中心) attend classes from time to time without prior notice to review teaching quality including implementation and progress of teaching plans, teacher's attitude, teaching methods and the effectiveness of classroom instruction. In addition, our teachers are also evaluated by students who attended their classes by means of questionnaire surveys and in-person discussion sessions, as well as by their peers in their respective departments. We take into consideration the results of the teacher evaluations when making decisions regarding teacher compensation and promotion in our College.

### ***Selection and Design of Teaching Materials and Textbooks***

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education, including closely following the guidance issued by the MOE. Our College has implemented a set of teaching material compilation and management policies, which covers the selection, procurement, distribution and management of the teaching materials to be used by our College. We generally prefer to select textbooks formulated according to the national plan or awarded textbooks and typically 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 College.

**BUSINESS**

**OUR STUDENTS**

**Overview**

We seek students interested in applied technology and the types of practical curriculums on providing both theoretical and practical knowledge. The majority of our students come from Shanxi Province, though we admit students from provinces across China. In the 2020/2021 school year, while we admitted students from 15 provinces in China, approximately 90% of our enrolled students came from Shanxi Province. As of October 31, 2020, we had a total of 17,233 students.

**Student Enrollment and Capacity**

The following table sets forth information relating to the newly-enrolled students, admission quota and admission quota utilization rate for our College for the school years indicated:

	Newly-enrolled Students <sup>(1)</sup>				Admission Quota <sup>(2)</sup>				Admission Quota Utilization Rate (%) <sup>(3)</sup>			
	School Year				School Year				School Year			
	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021 <sup>(4)</sup>	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021
Bachelor's degree program <sup>(4)</sup>	4,033	3,966	4,500	4,841	4,455	4,250	4,660	5,000	90.5%	93.3%	96.6%	96.8%
Junior college program <sup>(5)</sup>	288	-	-	-	500	-	-	-	57.6%	-	-	-
<b>Total</b>	<b>4,321</b>	<b>3,966</b>	<b>4,500</b>	<b>4,841</b>	<b>4,955</b>	<b>4,250</b>	<b>4,660</b>	<b>5,000</b>	<b>87.2%</b>	<b>93.3%</b>	<b>96.6%</b>	<b>96.8%</b>

*Notes:*

- (1) Newly-enrolled students' information for the school years indicated was based on the internal records of our College. Enrollment figures for newly-enrolled students for each school year are as of September 30 of the 2017/2018, 2018/2019 and 2019/2020 school years and as of October 31 of the 2020/2021 school year as the beginning of that school year was delayed for approximately one month for new students as a result of the impact of the COVID-19 pandemic.
- (2) As a higher education service provider, the number of new students our College may admit for each school year is generally limited by an admission quota specified by the relevant education authorities, which is subject to subsequent adjustment by such authorities after admitting prospective students based on students' listed preferences and the Gaokao scores they obtained. The original admission quota and any subsequent adjustments are made by the relevant education authorities and are beyond our control.
- (3) The admission quota utilization rate is calculated as the aggregate student enrollment for a school year divided by the aggregate admission quota approved by the relevant education authorities. We did not fully utilize the admission quota during the school years indicated, mainly because certain number of prospective first-year students who were admitted into our College during recruitment season eventually did not enroll in the programs of our College in the upcoming school year.
- (4) Our College generally recruits students from across China (i) who possess a high school or equivalent qualification and have achieved our required total score on the National Higher Education Entrance Examination, (ii) are junior college students who are in the final year of study and have achieved our required total score on the unified upgrading examination, or (iii) are secondary vocational school students who are in the final year of study and have achieved our required total score on the relevant college entrance examination.
- (5) Our College ceased admitting new junior college students starting from the 2018/2019 school year.

**BUSINESS**

Our College is a boarding school with on-campus dormitories. During the Track Record Period, all of our enrolled students in our College were full-time students and most of our students enrolled were boarding students except for very few students who were approved by us to live off campus for personal reasons. We generally require students who attend our College to live on campus in student dormitories. As a result, school capacity is limited by the number of beds available in student dormitories at our College. Accordingly, school capacity is presented herein as the number of beds available in student dormitories on the two campuses of the College for the relevant school years. The following table sets forth information relating to the student enrollment, school capacity and school utilization rate for the two campuses of our College for the school years indicated:

	Student Enrollment <sup>(1)(4)</sup>					School Capacity <sup>(2)(4)</sup>					School Utilization Rate (%) <sup>(3)(4)</sup>				
	School Year					School Year					School Year <sup>(4)</sup>				
	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	
Longcheng campus	10,498	9,999	7,797 <sup>(5)</sup>	7,982	7,982	10,824	10,380	9,965	9,650	9,650	97.0%	96.3%	78.2%	82.8%	
Beige campus	6,349	6,279	8,819 <sup>(5)</sup>	9,251	9,251	6,432	6,432	9,360 <sup>(6)</sup>	9,360	9,360	98.7%	97.6%	94.2%	98.9%	
<b>Total</b>	<b>16,847</b>	<b>16,278</b>	<b>16,616</b>	<b>17,233</b>	<b>17,233</b>	<b>17,256</b>	<b>16,812</b>	<b>19,325</b>	<b>19,010</b>	<b>19,010</b>	<b>97.6%</b>	<b>96.8%</b>	<b>86.0%</b>	<b>90.7%</b>	

*Notes:*

- (1) The student enrollment information for the school years indicated was based on the internal records of our College.
- (2) Our College is a boarding school and accordingly, we generally provide beds for our students enrolled. The respective capacity of our Longcheng campus and Beige campus represents the approximate number of students that our student dormitories in Longcheng campus and Beige campus 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 in Longcheng and Beige campus according to our College's internal records.
- (3) The school utilization rate is calculated by dividing the respective number of students resided in Longcheng campus and Beige campus in a particular school year by the maximum student capacity for the same school year in Longcheng campus and Beige campus respectively.
- (4) The beginning of the 2020/2021 school year was delayed until October 12, 2020 for new students. For purposes of providing fair comparable figures, we use September 30 for the 2017/2018, 2018/2019 and 2019/2020 school years, and October 31 for the 2020/2021 school year to present student enrollment, school capacity and school utilization rate figures.
- (5) In July 2019, we relocated over 1,700 students in our School of Finance from Longcheng campus to newly-built student dormitories on Beige campus, and new students in our School of Finance also started to live on Beige campus since the 2019/2020 school year, causing student enrollment in Longcheng campus to significantly decrease, while the student enrollment in Beige campus significantly increased.
- (6) We completed two new student dormitories in July 2019 as part of Phase III of our construction plan for Beige campus to further increase our College's student capacity. These two newly-established student dormitories campus can accommodate an additional approximately 2,000 students. Therefore, our school capacity in Beige campus significantly increased since the 2019/2020 school year.



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### *Student Admission*

The majority of new students are admitted through participating the in PRC National Higher Education Entrance Exam, or “Gaokao”. Each province in the PRC sets its own standard levels for Gaokao scores for different academic concentrations, and the universities in each province then evaluate and admit prospective students based on the respective scores and according to students’ listed preferences. Each year we admit around 4,000 students through the Gaokao, and the balance through junior college to bachelor’s degree transfer examination and other relevant college entrance examination. In 2020/2021 school year, more than 90% of our students were admitted from Shanxi Province, with the balance admitting from approximately 14 other provinces, including Hebei Province, the Inner Mongolia Autonomous Region, Shaanxi Province and Gansu Province. The student admission quota for each school year is set and approved by the Shanxi Development and Reform Commission (山西省發展和改革委員會) and the Department of Education of Shanxi Province. The main factors these governmental authorities take into consideration include capacity, current status of school development, enrollment and registration in previous years, teaching qualities and the employment rate of graduates.

We have implemented various promotional efforts in order to attract prospective students to apply to our College. Specifically, we have (i) participated in school recruitment fairs promoted by the Admission Office of Department of Education of Shanxi Province, which is in charge of higher education recruiting within Shanxi Province, and (ii) put promotional advertisements online. We have staff dedicated to managing school promotion and advertisement. Our college admissions office is responsible for admission-related work including admission publicity and advertising, recruitment quota and enrollment plan preparation, student admission and enrollment and admission consultation and reception, etc. As of the Latest Practicable Date, we had two dedicated full-time staff, one admissions director and one junior officer, working for our admissions office. In addition, as a well-established higher education institution with a long history, we also benefit from our alumni, who have passionate and genuine emotional connections with our College, and may voluntarily promote our College to interested students from time to time.

For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, we had 4,321, 3,966, 4,500 and 4,841 newly-admitted students enrolled in our College, respectively. Our overall yield (報到率) (equivalent to the total number of new students who enrolled in our College divided by the total number of students to whom we extended offers for admission in the school year), for the 2017/2018, 2018/2019 and 2019/2020 school years was 89.7%, 93.3%, 95.0% and 96.8%, respectively.

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**TUITION AND BOARDING FEES**

We typically charge our students fees comprising tuition, boarding fees, and other necessary fees for books and other school supplies. The following table sets forth information on per student tuition fees and boarding fees for the school years indicated:

	Tuition and boarding fees per year per student			
	School Year			
	2017/2018	2018/2019	2019/2020	2020/2021
	(RMB)	(RMB)	(RMB)	(RMB)
<b>Fee types</b>				
Tuition fee				
– Management, literature (excluding foreign language), economics, education and law majors	14,900–15,120 <sup>(1)</sup>	14,900–15,120 <sup>(1)</sup>	14,900–15,120 <sup>(1)</sup>	14,900–15,120 <sup>(1)</sup>
– Literature (foreign language) majors	14,900	14,900	14,900	15,900
– Engineering majors	15,900	15,900	15,900	15,900
– Art majors	17,000	17,000	17,000	17,000
Boarding fee <sup>(2)</sup>	1,000–1,500	1,000–1,500	1,000–1,500	1,000–1,500

*Notes:*

- (1) The tuition fee rates charged for the two management majors in engineering management and engineering cost were RMB15,120 per year per student for each school year indicated above.
- (2) We offer three classes of student dormitories on our Longcheng campus and Beige campus, for which boarding fee rates vary based on factors including the size of the room provided, the number of students sharing a room, and the type of furniture and facilitates available to students living the dormitory, among others. The boarding fee rates charged for these different classes were RMB1,000, RMB1,200 and RMB1,500, respectively, per year per student for each school year indicated above.

The following table sets forth the average tuition and boarding fees for our College for the years indicated during the Track Record Period:

	Average tuition and average boarding fees per year per student		
	Year ended August 31,		
	2018	2019	2020
	(RMB)	(RMB)	(RMB)
Average Tuition Fee <sup>(1)</sup>	14,678.6	15,065.4	15,357.2
Average Boarding Fee <sup>(2)</sup>	1,191.3	1,292.5	957.3 <sup>(3)</sup>

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*Notes:*

- (1) The amount represents the average of tuition fees for each student. For illustration purposes, the average tuition fee for the 2017/2018, 2018/2019 and 2019/2020 school years is calculated by dividing the revenue generated from tuition 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 2019/2020 school year is calculated by dividing the tuition fee revenue generated for such year by the number of students enrolled in our College as of September 30, 2019.
- (2) The amount represents the average of boarding fees for each student. For illustration purposes, the average boarding fee for the 2017/2018, 2018/2019 and 2019/2020 school years is calculated by dividing the revenue generated from 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 boarding fee for the 2019/2020 school year is calculated by dividing the boarding fee revenue generated for such year by the number of students enrolled in our College as of September 30, 2019.
- (3) Due to the outbreak of COVID-19, the Department of Education of Shanxi Province, the Shanxi Development and Reform Commission, and the Department of Finance jointly issued the Notice on School Fee Management Work during the Period of Epidemic Prevention and Control (《關於做好疫情防控期間學校收費管理工作的通知》). Pursuant to the Notice, we were required to refund a portion of boarding fees to our students. Therefore, the average boarding fees for the 2019/2020 school year decreased significantly. See “— Student Withdrawal and Refund” below for further details.

Tuition and boarding fees represent all of our revenue. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, tuition fees accounted for 92.5%, 92.1%, 94.1% and 91.4%, respectively, and boarding fees accounted for 7.5%, 7.9%, 5.9% and 8.6%, respectively, of our total revenue. We normally require students or their families to pay tuition and boarding fees for the entire school year in advance of the commencement of each school year, and recognize revenue proportionately over the relevant period of our programs. Please refer to the section headed “Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue Recognition” for more information. Tuition fees and boarding fees are normally collected in August in advance of the commencement of each school year, which starts in September. Since the 2020/2021 school year started later than usual due to the COVID-19 pandemic, we collected most tuition fees and boarding fees from students for the 2020/2021 school year in September 2020. We collect tuition fees and boarding fees primarily through online banking transfer, App payments (such as through WeChat pay and Alipay), debit card payments and cash. The following table sets forth a breakdown of tuition and boarding fees by means of payments for the periods indicated:

	Year ended August 31,			Four Months ended December 31,
	2018	2019	2020	2020
	<i>(RMB in thousands)</i>			
Online banking transfer	69,121	69,136	84,189	21,629
App payments	109,997	177,062	183,557	88,433
Debit card payment	80,379	18,743	2,731	175
Cash	7,864	1,332	606	47
<b>Total</b>	<b>267,361</b>	<b>266,273</b>	<b>271,083</b>	<b>110,284</b>

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Our tuition and boarding fee rates are subject to approval from local educational and pricing authorities. The following table sets forth approved tuition and boarding fee rates for all of the school years during the Track Record Period:

<b>Fee types</b>	<b>Approved fee rates (RMB)</b>
Tuition fees (per year)	
– Management, literature (excluding foreign language), economics, education and law majors	10,080-15,120
– Literature (foreign language) majors	10,720-16,080
– Engineering majors	10,720-16,080
– Art majors	11,360-17,040
Boarding fees (per year)	1,000-1,500

The Notice of Shanxi Price Bureau on Undergraduate Tuition Fees Standards for seven Colleges including Shanxi Business College (《山西省物價局關於山西大學商務學院等7所學院本科學費標準的通知》) issued by Shanxi Price Bureau (山西省物價局) on August 13, 2015 sets out the tuition fee rate our College can charge our students. Tuition fee rate can fluctuate within a 20% range of these standards taking into consideration factors such as subjects being offered, student enrollment numbers, and relevant costs. During the Track Record Period, the tuition fee rate we generally charged was above the approved baseline tuition fee rate in Shanxi Province but within the permitted 20% range. During the Track Record Period, our tuition fee rates complied with the above standards.

Pursuant to the Reply to Boarding Fees Standards of Shanxi Technology and Business College (《關於山西工商學院住宿費標準的批覆》) issued by Shanxi Development and Reform Commission (山西省發展和改革委員會) on May 11, 2017, our College offer three classes of student dormitories in our Longcheng campus and Beige campus, for which boarding fee rates vary based on factors including the size of the room provided, the number of students sharing a room, and the type of furniture and facilitates available to students living the dormitory, etc. During the Track Record Period, we charged students living in No. 4 student dormitory on our Longcheng campus boarding fees at a rate of RMB1,500 per year per new student in the 2018/2019 school year, which is higher than the approved boarding fee rate of RMB1,200. We subsequently filed an application to increase boarding fee rates for this student dormitory on April 9, 2019, and obtained Reply to Student Dormitories Boarding Fees Standards of Shanxi Technology and Business College (《關於山西工商學院學生公寓住宿費標準的覆函》) issued by Shanxi Development and Reform Commission on August 6, 2019, permitting us to charge the boarding fee rates to RMB1,500 per year per student for the 2019/2020 school year. As advised by our PRC Legal Advisors, we could be subject to the fines and/or penalties in connection with such non-compliance. However, pursuant to the relevant PRC laws and regulations, if an unlawful act has not been discovered within two years of its occurrence, or for a continuous unlawful act, from the date when the act ends, no fines and/or penalties shall be imposed. Therefore, given the fact that we subsequently applied for and were given approval to increase our boarding fees to rectify our previous act, and that we have not received any notice from any government authorities for payment of fines and/or penalties in relation to such non-compliance, our PRC Legal Advisors are of the view that the likelihood our College may be penalized by Shanxi Development and Reform Commission is relatively low. Other than disclosed above, during the Track Record Period, our boarding fee rates complied with the relevant standards.

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Under the 2016 Decision, to the extent we elect to become a for-profit school, we will be able to determine our fees at our own discretion without the need for government of approval. However, the procedures and timing of making such election are not currently clear under the existing regulations. See “Regulatory Overview — Regulations on Private Education in the PRC” in this document and “Potential Implications of the 2016 Decision and Related Implementation Rules” in this section for further discussion of relevant regulations.

Historically, we have kept our tuition rates relatively steady, consistent with overall market trends. However, we take into account of several factors, such as our operating costs, expected class size, the tuition fee charged by our competitors, and prevalent market conditions, when we decide whether there is any need to adjust our tuition fee rate. Although we have no immediate plans to raise our current tuition fees due to the impact of COVID-19, going forward, we plan to continue monitoring tuition levels at other public and private higher education provider in Shanxi Province and North China, and will increase our tuition rates at appropriate times in the future, factoring in the education quality we provide.

In 2018, we built two new dormitory buildings and upgraded our existing facilities to offer students better living conditions. We have no immediate plan to increase our boarding fees rates. However, as we have built new facilities and upgraded our existing facilities to offer students better living conditions, we will consider raising our boarding fees in the future and file an application with relevant authorities. For the 2019/2020 school year, we did charge our new students who moved into the newly-built dormitories on Beige campus (for which construction was completed in July 2019) at higher boarding fee rates corresponding with the improved facilities.

### *Student Withdrawals and Refund*

In the event a student withdraws from our College during a school year, tuition paid may be refunded to such student pursuant to the refund policies we have in place at our College. Our refund policies in place set forth the percentage of tuition fees and boarding fees that can be refunded to such students based on when during the school year he or she leaves our College. If a student withdraws from a program within three weeks of the commencement of the current school year due to failed medical examination, all tuition and boarding fees received will be refunded. If a student voluntarily withdraws from a program (i) within three weeks of the commencement of the current school year, two thirds of the tuition and boarding fees received will be refunded; (ii) after three months but within the first semester of the current school year, half of the tuition and boarding fees received will be refunded; and (iii) after completion of the first semester of the current school year, no tuition or boarding fees will be refunded.

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Due to the outbreak of COVID-19, pursuant to the Notice, during the epidemic prevention and control period, (i) as to tuition fees, if the school has completed their education and teaching plans through online teaching or has given supplementary lessons after the epidemic, it is unnecessary for the school to refund tuition fees to the students; and (ii) as to boarding fees, such fees shall only be charged to individual students based on the actual time calculated on a monthly average basis such student has lived in the dormitory, which is 10 months for a school year and five months for a semester, respectively (if the actual time of accommodation is less than one month, 15 days or more will be calculated as one month and less than 15 days will be calculated as half a month). Any boarding fees exceeding the portion that should be charged pursuant to the above calculation shall be refunded to students. For the 2019/2020 school year, notwithstanding that our College was unable to timely open its campuses for the spring semester of 2020 as previously scheduled, we managed to provide education services to our students via third-party online education platforms. Therefore, we were not required to refund any tuition fees to our students. However, we were required to refund to our students boarding fees we collected at the beginning of the 2019/2020 school year. We refunded RMB5.4 million in boarding fees that we collected from students at the beginning of the 2019/2020 school year to account for the fact that students were unable to board at our College for much of the second semester of the 2019/2020 school year due to the COVID-19 pandemic.

The following table sets out the number of students who withdrew from our College for the school years indicated:

	<b>Number of Students Withdrawing<sup>(1)(2)</sup></b>		
	<b>School Year</b>		
	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
Withdrawing students	<u>33</u>	<u>37</u>	<u>21</u>

*Notes:*

- (1) Refers to the number of students who were enrolled in our College as of September 30 but withdrew during such school year. We present the number of students withdrawn based on the internal records of our College as of August 31 for the corresponding school year.
- (2) Main reasons for student withdrawal from our programs include: (i) students cannot adjust themselves to university study, (ii) students choose to study abroad, (iii) students choose to re-participate in the National Higher Education Entrance Examination, (iv) students choose to start their own business ventures, (v) students join the army, and (vi) health or other personal reasons.

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The following table sets forth the amount of tuition fees and boarding fees refunded to students by our College for the periods indicated.

	Year ended August 31,			Four Months ended December 31,
	2018	2019	2020	2020
	<i>(RMB in thousands)</i>			
Tuition fees refunded <sup>(1)</sup>	608	587	470	223
Boarding fees refunded	262	52	5,407 <sup>(2)</sup>	25
<b>Total</b>	<b>870</b>	<b>639</b>	<b>5,877</b>	<b>248</b>

*Notes:*

- (1) For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, the number of students to whom we refunded tuition fees was 53, 52, 42 and 24 students, respectively. Such students included (i) withdrawing students who were enrolled in our College as of September 30 of the relevant year but later withdrew during that year; (ii) students who paid tuition and boarding fees but ultimately did not enroll in our College as of September 30 of the relevant years (which were primarily due to such students electing to join the army or to re-take the Gaokao); and (iii) students who were enrolled in our College as of September 30 of the relevant year but joined the army during that year and would subsequently return to our College to further their study after serving the army such students were still registered with our College and were therefore not classified as withdrawing students.
- (2) The amount of boarding fees refunded for the year ended August 31, 2020 includes the amount of RMB5.4 million we refunded due to the closing of our campuses as a result of the COVID-19 pandemic pursuant to the Notice.

**OUR SCHOOL MANAGEMENT**

We have established a school management system through which we consistently manage certain aspects of our College, including, among others, school administration, market research and on-campus services, to support and facilitate the effective implementation of our comprehensive educational approach.

***School Administration***

In order to improve the quality of education we provide, lower our operating costs and elevate our corporate efficiency, we have implemented a series of measures to administer our College in a coordinated manner. For example, we have installed several information systems to improve the work efficiency of our staff and reduce operating costs by regulating and standardizing the work flows of the administration of our College, including a virtual server that provides intra-campus LAN services and digital campus information platform, a security monitoring system, an archive management system, a human resource management system and a video conference system that connects Longcheng campus and Beige campus. Furthermore, we have adopted a series 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 College.

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### *Market Research*

We generally conduct market research to select, design and update our majors and curriculum offerings at our College. We keep track of and analyze our graduating students’ initial employment records to keep abreast of the local employment market. Our career center also conducts industrial market research using teams of students to conduct surveys with industry participants in order to gauge changes in the market demand for skilled professionals. In addition, through extensive research, we track key industry segments where we believe the demand for professional talent is strong and the changing requirements of potential employers. We incorporate the results of our market research into official applications to create new majors at our College to be submitted to the local PRC educational authorities for approval from time to time. Such applications typically include the history and relevant operating experience of our College, the availability of educational resources to open the new major, such as the sufficiency of teachers, details of the available equipment, and a comprehensive plan for the cultivation of professional talent. In the 2020/2021 school year, we began to admit students in three new majors and one concentration in response to the changes in market demand, including artificial intelligence, home economics, preschool education (early education concentration) and aviation services art and management.

### *Campus Services*

The campus service arrangements at our College typically include meal catering services, campus stores, medical care services, transportation services and other miscellaneous services including water supply, fitness services, equipment maintenance services and laundry services, among others, to our staff and students. We outsource certain professional services, including meal catering services, property management services, security services and transportation services, among others, to qualified third-party service providers in an effort to increase our operation efficiency.

### *Meal Catering Services*

As of the Latest Practicable Date, there were seven canteens on our College campuses, including four canteens on our Longcheng campus and three canteens on our Beige campus, to provide meals to our students and faculty. Over the Track Record Period, we outsourced meal catering services at these canteens to Shanxi Tuohuang Property Management Co., Ltd. (山西拓荒物業管理有限公司) (“**Shanxi Tuohuang**”), for an annual lump sum management fee paid by Shanxi Tuohuang to our College in return for the premises and other basic utilities we provided. Shanxi Tuohuang, an Independent Third Party as of the Latest Practicable Date, was held as to 31.8% by Mr. Niu Jian until June 2018, when Mr. Niu Jian disposed such interest. We typically enter into cooperation agreements with a term of five years. Pursuant to such cooperation agreement, Shanxi Tuohuang is required to arrange for meal catering services to be provided to our students and faculty in premises we provide and ensure such services comply with relevant rules and regulations on sanitation and safety. Shanxi Tuohuang is also required to ensure that for each meal, the relevant canteen is open for a certain number of hours for each meal service. Shanxi Tuohuang cooperates with other third-party catering providers and suppliers to help provide the necessary services. We are responsible for supervision and inspection of the operating hours, suppliers, price range and food provided to our students and faculty by the third-party service providers. We have obtained all the relevant licenses and permits required by laws and regulations for operation of meal catering services. We also require the third-party service providers to obtain relevant licenses and permits required by laws and regulations. For risks associated with meal catering services, please see “Risk Factors — Risks Relating to Our Business and Our Industry — We outsource the meal catering services



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for our College to an Independent Third Party and, as a result, we cannot guarantee that the quality and price of the food service they provide are always the best available and we may be exposed to potential liability if food service quality does not comply with relevant standards.” in this document.

### *Campus Stores*

Our campus stores, including hair salons, printing shops and convenience stores, generally sell food, school supplies and other essential goods to our students. We typically enter into a five-year cooperation agreement with Shanxi Tuohuang to manage such stores. Under such cooperation agreement, we agree to provide premises to Shanxi Tuohuang to operate such premises and facilities as campus stores in return for a lump sum annual management fee paid by Shanxi Tuohuang to our College. Shanxi Tuohuang may then enter into separate cooperation agreements with store operators, all of whom over the Track Record Period were Independent Third Parties. We closely supervise the day-to-day operations of the premises and facilities of such stores. Pursuant to the cooperation agreement, Shanxi Tuohuang is obliged to (i) obtain permits and licenses as required by relevant laws and regulations; (ii) keep designated hours of operation for selling goods; and (iii) coordinate with our College and otherwise operate under the supervision of the College regarding the selection of suppliers, price range and kind of goods to be sold.

### *Medical Care Services*

We operate two school clinics on each of Longcheng campus and Beige campus. We had a combined total of eight medical staff as of the Latest Practicable Date. Our school clinics are mainly responsible for providing basic medical services for our students and teachers, including treatment and management of common ailments, frequently-occurring and infectious diseases prevention and management, school disinfection and prevention of chronic non-communicable diseases, among others. We conduct health checks for newly-enrolled students and teachers by partnering with third-party medical care services providers (primarily hospitals). In addition, our clinics also organize health education lectures and carry out various activities relating to disease prevention and maintaining a healthy lifestyle from time to time. Currently, our school clinics have pharmacy, dispensary, fever examination room, treatment room, infusion room and therapeutic massage rooms. We have obtained a Medical Institution Practicing License for our school clinic on Longcheng campus and Beige campus with scope of operation in internal medicine, which is sufficient for us to provide related medical care services to our students. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment.

### **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 RMB6.9 million into implementing and upgrading our information technology infrastructure, including electronic equipment and software, during the Track Record Period. Our information platform and systems include:

- Fanya Network Teaching Platform (泛雅網絡教學平臺) system, which enables students to use online platforms and mobile devices to access online courses. Our teachers participate in the process by tutoring, assigning homework and assisting students’ self-learning. Students are able to use the platform to access thousands of course videos, millions of electronic books and a variety of other teaching materials and interact with teachers online. All course

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videos 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 general and elective education courses; and

- Collaborative office systems, which supports the daily operation and management of the majority of information systems of our College, including a unified portal management system, an office automation system, a teaching affairs management system, a student affairs management system, a human resource management system, a library information network system and an archive management system, among others. 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.

### Data Privacy and Security

We are committed to protecting the personal information and privacy of our students and teachers. 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 College, which can only be accessed by the staff from the office of student affairs of our College. We have established a strict policy on data privacy and security to preserve the personal information and privacy of our students and teachers. In accordance with our policy, no department or individual in our Group may directly publish sensitive personal information such as ID numbers, telephone numbers or mailing addresses of faculty, staff or students on websites. The relevant personal data must be anonymized if there is a real necessity or requirement to publish such information. We require any access to or processing of personal information to go through a strict assessment and approval procedures and relevant personnel must sign confidentiality agreements in order to assure that only valid and legitimate requests are executed. In addition, we have installed genuine anti-virus software and firewalls into the computer database storing the personal information of teachers and students and update the system regularly as needed.

To the best knowledge of the Directors, during the Track Record Period and up to the Latest Practicable Date, there was no leakage, misuse or misappropriation of personal information.

### FUTURE DEVELOPMENT

#### Overseas Institution

With a view to creating synergies with our College in China and complying with the Qualification Requirement as further described in the section headed "Contractual Arrangements" in this document, we also plan to expand our network abroad by establishing a degree-granting higher education institution in the State of California in the United States (the "US School") offering bachelor of science in business administration program and bachelor of science in marketing program. We have engaged an agent (the "Agent"), who is principally engaged in education consultancy and BPPE licensing services, as our agent to assist us in establishing General Business University of California Incorporated, the operating entity for the US School, and filing applications with the BPPE regarding the establishment of the US School.

The Company entered into a service agreement with the Agent in September 2020, pursuant to which the Agent is responsible for providing a range of supporting services, including the setting up of General Business University of California Incorporated, developing the website of the US School,

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designing the curriculum for two degree programs of the US School, the recruitment of teachers and administrative staff, and the preparation and submission of the application to the BPPE for the license to operate the US School, for a fee of US\$38,625 (inclusive of the BPPE application fee). The Company has also agreed to pay the Agent a monthly fee of US\$1,500 for a representative of the Agent to act as the chief academic officer, dean of business and the contact person of the US School. The Agent has nominated its sole member as such representative.

To the best information and knowledge of the Directors, except for the relationship set out above, the Agent and its sole member are Independent Third Parties, and there are no other past or present relationships (including, without limitation, family, employment, financial or otherwise) between the Agent and the Company (including subsidiaries, shareholders, directors, senior management of the Agent and of the Company or their respective associates).

On October 22, 2020, General Business University of California Incorporated was established in the State of California by the Agent, and it became our subsidiary on October 22, 2020 to operate and manage the institution. In connection with our establishment of the US School, due to the situation of the COVID-19 pandemic, which delayed the progress of the work in California, we expect to file an application with the BPPE in the first half of 2021. Based on our understanding from the Agent, assuming there is no major issue, the approval process with the BPPE is expected to complete by the end of 2022, upon which US School will commence operation and recruit the first batch of students in the semester commencing in December 2022. Our Directors currently do not foresee any major issue in this regard based on our communication with the Agent.

We expect that the total amount of investment in connection with our establishment of the institution until the commencement of the first semester in December 2022 would be approximately US\$970,000, of which approximately US\$20,000 had been expended as of the Latest Practicable Date. It is expected that the US School will hire approximately 3 administration staff and 24 teachers in the first academic year in operation, i.e. the year ending August 31, 2023. Initially, one of the teachers will be hired on full time basis, and the rest will be hired on part time basis whose remuneration will be paid based on the number of courses they taught. The total operating costs, including the staff's remuneration and rental of the campus etc, in the first academic year are currently expected to be approximately US\$480,000. We do not expect our investment in our institution to have any material adverse impact on our overall cost structure and financial results on the basis that: (i) most cost, arising from the establishment of institution will be capitalized and thus, will not affect our overall profitability throughout its establishment period; (ii) the estimated student enrollment of the institution is expected to be approximately 68 students in all programs at the end of the first academic year and our institution will progress to a more mature stage after three years of operation and development, with an increasing trend of student enrollment year by year until reaching a total student enrollment of approximately 158 students by the end of 2024/2025 academic year; and (iii) total investment of US\$970,000 in our institution until the commencement of the first semester in December 2022 represents approximately only 6.15% of the cost of sales of our Group for the year ended August 31, 2020.

Subject to, among others, the timing of obtaining approval from BPPE, 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 that the US School will breakeven in the fourth year after its establishment and the investment payback period will be approximately 4.96 years.

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We plan to hire experienced teaching and administrative staff in the United States to assist with our operation of the institution. However, we have no prior experience operating schools in the United States, and cannot assure you that we will be able to identify and hire suitable teaching and administrative staff. See “Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to execute our expansion strategies successfully or effectively, which may hinder our ability to capitalise on new business opportunities” for details.

### **POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTATION RULES**

#### **The 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 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 see “Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education” of this document.

#### **Implementation Rules under the 2016 Decision at the State Level**

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the state level in December 2016, 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 private school will be required to go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government;
- 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

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- 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.

### **Implementing Rules under the 2016 Decision in Shanxi Province**

On July 11, 2018, the General Office of the People's Government of Shanxi Province promulgated the Several Opinions of the General Office of the People's Government of Shanxi Province on Supporting and Regulating the Development of Education by Social Forces and Promoting the Healthy and Orderly Development of Private Education, according to which, school sponsors can freely elect to establish for-profit schools or non-profit schools with the exception that private schools providing compulsory education must be non-profit. Sponsors of Non-Profit Private Schools do not obtain school operating income, and operating balances are all used for running schools; For-Profit Private Schools sponsors can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools which provided education services other than compulsory education and were approved for establishment before November 7, 2016 can freely elect to establish for-profit schools or non-profit schools, the re-registration shall be completed within five years from July 2018 which was confirmed in our interview with the Department of Education of Shanxi Province.

On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province, which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. For an existing private school, if it 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 it chooses to register as for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations and pay the relevant taxes and fees, the capital contribution of the sponsor before the liquidation shall be the paid-in capital, the asset appreciation, school accumulation, creditor or debtor's rights and obligations shall be borne by the private school after the re-registration unless otherwise specified, the private school shall also apply for registering as a for-profit private school and obtain the Permit for operating a Private School, and then register with the local branch of the SAMR.

On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province, which resembles the rules at the national level to a large extent.

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According to the Notice on Further Standardizing the Collection of Education Fees of Non-Profit Private Schools, which was jointly promulgated by the Development and Reform Commission of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province on October 29, 2019, the education fees collected by Non-Profit Private Schools include tuition fees and boarding fees, and Non-Profit Private Schools can refer to the relevant regulations of public schools at the same level to provide students with optional service charge items and substitute charge items on the premise of students’ willingness. For tuition fees and boarding fees, if they are included in the Shanxi Provincial Price Catalog, the fees are decided by the government, if not, the Non-Profit Private Schools can decide independently. Pursuant to the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province, the items and standards charged by For-Profit Private Schools are determined independently by the school based on factors such as school cost and market demand and shall disclose to the public.

**Potential Impact on us of the 2016 Decision and the 2021 Implementing Regulations**

*The 2016 Decision*

On November 7, 2016, the Decision of the Standing Committee of the National People’s Congress on Amending the Law for Promoting Private Education of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定) (the “**2016 Decision**”) was promulgated and later came into force on September 1, 2017. The 2016 Decision introduces a new classification system for private schools and the sponsors of private schools are allowed to choose to establish non-profit or for-profit private schools with the exception for schools providing compulsory education, which can only be established as non-profit entities. The following table sets forth the key differences between a for-profit private school and a non-profit private school under the 2016 Decision:

<u>Item</u>	<u>For-profit private school</u>	<u>Non-profit private school</u>
Receipt of operating profits	Sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other laws and regulations	Sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licenses and registration	Private school operating licenses, business licenses	Private school operating licenses and a certificate of registration for a privately-run non-enterprise unit/the legal person certificate of public institution
Fees charged to students	Determined based on school operating costs and market demands, and no prior regulatory approval is required	Determined pursuant to the relevant regulations promulgated by the local governments
Tax treatment	Preferential tax treatment as stipulated by PRC laws and regulations	Same preferential tax treatment as public schools

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<b>Item</b>	<b>For-profit private school</b>	<b>Non-profit private school</b>
Land	Acquired under PRC laws and regulations	Acquired through land allocation or other ways with governmental support and subsidy granted under the same principles for public school
Public funding	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets, and government grants, incentive funds and donations
Liquidation	Liquidated in accordance with the provisions of the PRC Company Law. Sponsors can obtain the school’s remaining assets after the settlement of the school’s indebtedness	<p>If there are still remaining school assets after the settlement of school’s indebtedness, such assets shall be used continuously for the operation of another non-profit school, which could be within or outside of the same group.</p> <p>According to our consultation with the Department of Education of Shanxi Province conducted in March 2021, it is not required that such other non-profit school belong to the same group</p> <p>School sponsor can apply for compensation or rewards which shall be decided based on a number of factors</p>

In addition to the 2016 Decision, on December 30, 2016, the MOE, the SAIC and the Ministry of Human Resources and Social Security jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) (the “**Implementation Rules**”), which details the supervision and administration of for-profit schools regarding the establishment of schools, the organization structure, the education and teaching activities, finance and assets, the information publication, the change and termination of schools and the penalties for violation. For further details of the 2016 Decision and the Implementation Rules, please refer to “Regulatory Overview — Regulations on private education in the PRC”.

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On July 11, 2018, the General Office of the People's Government of Shanxi Province promulgated the Shanxi Opinions. According to the Shanxi Opinions, school sponsors can freely elect to establish for-profit schools or non-profit schools, with the exception for schools providing compulsory education, which can only be established as non-profit entities. Sponsors of non-profit schools do not obtain school operating income, and operating balances are all used for running schools; for-profit school sponsors can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools approved for establishment before November 7, 2016 can freely elect to establish for-profit schools or non-profit schools, with the exception for schools providing compulsory education, which can only be established as non-profit entities, the re-registration shall be completed within five years from the date of the Shanxi Opinion was promulgated which was confirmed in our interview with the Department of Education of Shanxi Province. On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province (《山西省民辦學校分類登記實施辦法》), which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. For an existing private school, if it 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 it chooses to register as for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations and pay the relevant taxes and fees, the capital contribution of the sponsor before the liquidation shall be the paid-in capital, the asset appreciation, school accumulation, creditor or debtor's rights and obligations shall be borne by the private school after the re-registration unless otherwise specified, the private school shall also apply for registering as a for-profit private school and obtain the permit for operating a private school, and then register with the local branch of the SAMR.

As of the Latest Practicable Date, we had not made a formal application to register our College as a for-profit private school. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and the existing ownership structure of our College, we currently expect to register our College as a for-profit private school. In the event that our College chooses to be and successfully registers as a for-profit private school, the potential impact of the 2016 Decision includes the following:

- The rights and interests of the sponsors of our College will be protected in more definitive and favorable ways: the 2016 Decision provides that the school sponsors of for-profit private schools can obtain the schools' operating profits, and the remaining assets upon liquidation after the settlement of the school's indebtedness in accordance with the PRC Company Law and other relevant laws and administrative regulations, and the standards and types of the fees should be publicized to the public and subject to supervision by relevant competent authorities;
- Our College shall have the discretion to determine the amount of fees to be charged in accordance with the 2016 Decision. If Shanxi Tongcai opts to register our College as a for-profit private school, our College would be entitled to make its own decisions about the standards and types of the fees to be charged by our College based on our College's operating costs and market demand;



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- Our College may enjoy support from certain PRC government policies: the 2016 Decision stipulates that the governments at or above the county level in the PRC can provide various policy support to for-profit schools, such as preferential tax policies and student loans;
- There may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures: according to the 2016 Decision, while land will be supplied to non-profit private schools by the government through allocation or other means, for-profit private schools are not expected to enjoy the same treatment as public schools and non-profit private schools; and
- Our College will be subject to the requirements of applying for re-registration: the 2016 Decision also requires that private schools choosing to register as for-profit schools shall carry out financial settlement procedures, clarify property ownership, pay the relevant taxes and fees, and re-apply for registration.

According to our consultation with the Department of Education of Shanxi Province which is the competent authority to confirm such matters as advised by our PRC Legal Advisors, (i) before we elect for our College to be a for-profit private school, the current articles of association of our College will continue to be legal, effective and enforceable, and our College can operate in accordance with it; and (ii) non-profit schools are expected to enjoy more favorable policies. As advised by our PRC Legal Advisors, despite the aforesaid implementing rules relating to 2016 Decision, there remain uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a for-profit school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by local authorities in Shanxi Province; and (ii) specific conditions or requirements in respect of any preferential tax treatment and the treatment of the land use rights which for-profit schools may enjoy have not been promulgated by relevant authorities. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities. Due, in part, to this policy uncertainty, our College has not yet elected to be classified as a for-profit school or a non-profit school.

According to our consultation in March 2021 with the Department of Education of Shanxi Province, which is the competent authority to confirm such matters as advised by our PRC Legal Advisors: (i) specific provisions regarding the selection of for-profit or non-profit school have not yet been promulgated in Shanxi Province; and (ii) the Department of Education of Shanxi Province has not yet begun to accept relevant applications from existing schools.

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***The 2021 Implementing Regulations***

On May 14, 2021, the State Council released the 2021 Implementing Regulations, with the effective date of September 1, 2021, which made certain significant changes to certain provisions of the 2004 Implementing Regulations which may affect private schools.

The 2021 Implementing Regulations stipulate further provisions of the operation and management of private schools. The following table sets forth the key provisions under the 2021 Implementing Regulations:

<b>No.</b>	<b>2021 Implementing Regulations</b>	<b>Applicability and Current Status</b>
1.	A private school may enjoy the preferential tax policies, which are not defined under the 2021 Implementing Regulations, as stipulated by the State and a non-profit school may enjoy the same tax policies as enjoyed by a public school.	<p>Applicable to our College. Our College was not required to pay PRC enterprise income tax and value-add tax in respect of the revenue generated from providing formal education services during the Track Record Period and as of the Latest Practicable Date. Going forward, our College may be subject to PRC enterprise income tax of 25%, which would increase our tax expenses and reduce our net profit.</p> <p>For illustration purposes only, assuming that during the Track Record Period, the profit before tax of our College was subject to PRC enterprise income tax of 25%, we estimate that our tax exposure would have increased by approximately RMB37.5 million, RMB34.7 million, RMB36.5 million and RMB13.1 million, respectively for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020.</p>

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<b>No.</b>	<b>2021 Implementing Regulations</b>	<b>Applicability and Current Status</b>
2.	<p>The local governments shall grant preferential treatment in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools and public schools equally, and for schools that provide education for academic qualifications, may provide land by means of bid invitation, auction or listing, assignment of contracts, long-term lease or combination of sale and as rental, and may allow to settle by installments.</p>	<p>Applicable to our College. As of the Latest Practicable Date, the four parcels of land our College owned with respect to which we had obtained land use right certificates or real estate title certificates were all acquired through land allocation. With respect to the three parcels of land for which we had not obtained land use right certificates or real estate title certificates, we were still in the process of obtaining approvals related to land allocation. We may be required to pay land transaction fees to local land resources bureaus for the land acquired through land allocation or under any other preferential treatment of the local governments. Based on our management's best estimation and with reference to the valuation report as set out in Appendix III in this document, the aggregate reference value of such land as of March 31, 2021 amounted to approximately RMB286.9 million.</p>

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<b>No.</b>	<b>2021 Implementing Regulations</b>	<b>Applicability and Current Status</b>
3.	<p>Private schools not providing compulsory education must conduct transactions with their Interested Parties in a manner that is open, justified and fair and conducted at reasonable pricing and establish standardized decision-making for such transactions, and must not harm the interests of the State, schools, teachers and students. Private schools must set up an information disclosure mechanism for dealing with their Interested Parties. The relevant governmental authorities such as the education department, the human resources and social security departments and the financial department are required to strengthen supervision of the agreements signed between non-profit private schools and their Interested Parties, and to review such transactions annually.</p>	<p>Applicable to our College. The Department of Education of Shanxi Province has advised to us that they have acknowledged our Contractual Arrangements and no approvals by or filings to the relevant educational authority are required with respect to the execution and performance of our Contractual Arrangements. As of the Latest Practicable Date, no specific requirements had been promulgated relating to the standardized-decision making and the information decision making mechanisms. We have established a special committee to monitor developments of the relevant policies and regulations relating to the details of the establishment and implementation of the information disclosure mechanism, to ensure our College fully complies with relevant requirements going forward. See “— Our Control Measures” below for details.</p>
4.	<p>The registered capital of a private school must be paid in full when it formally established and shall be compatible with the type, level and scale of the school.</p>	<p>Applicable to our College. As of the Latest Practicable Date, our College had a registered share capital of RMB80,000,000, which had been paid in full.</p>

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<b>No.</b>	<b>2021 Implementing Regulations</b>	<b>Applicability and Current Status</b>
5.	At the end of each financial year, a for-profit private school must set aside a portion of not less than 10% of its audited annual net profit, and a non-profit private school from its audited annual net increase in assets, as the development fund, which is to be used for the development of school.	Applicable to our College. We have established a special committee to monitor developments of the relevant policies and regulations for the details of the establishment and implementation of the development fund. Under the 2021 Implementing Regulations, our College is required to set aside at least 10% of its audited net profit each year as development fund. For illustration purposes only, to the extent we had set aside the minimum amount over the Track Record Period, approximately RMB14.5 million, RMB13.8 million, RMB14.3 million and RMB5.1 million would have been transferred from our retained earnings to our development fund in our equity for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, respectively.
6.	Public schools providing compulsory education may not establish or participate in the establishment of private schools. Other public schools are not allowed to hold or participate in the organization of for-profit private schools. Public schools that provide vocational education can establish or participate in vocational education in for-profit private schools. If a public school establishes or participates in the establishment of a private school, it must first obtain approval from government authorities, and may not use the state's fiscal funds, affect the public school's teaching activities, or obtain management fee or other means to obtain or disguise the proceeds of schooling.	Not applicable to our College as our College is a private school.

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As advised by our PRC Legal Advisors, there remains uncertainties in the interpretation and application of the 2021 Implementing Regulations with respect to various aspects of the operations and benefits enjoyed by our College after converting to a for-profit school, such as (1) the preferential tax treatment which may be enjoyed by for-profit schools and (2) the costs for a for-profit school to obtain land use rights.

Based on the advice from our PRC Legal Advisors, as of the Latest Practicable Date, our Directors considered that the potential impact of the 2021 Implementing Regulations on us includes the following:

- (i) our future acquisition may be subject to more stringent regulations. According to Clause 12 of the 2021 Implementing Regulations, if the sponsor is a legal person, its controlling shareholder and the actual controller must meet the requirements stipulated by laws and administrative regulations for the establishment of a private school, and any change of the controlling shareholder or the actual controller, must be reported to the competent department for record-filing and publicity. The aforementioned requirements for the establishment of a private school are not defined under the 2021 Implementing Regulations. According to Clause 13 of the 2021 Implementing Regulations, any social organizations or individuals shall not control compulsory education private schools or non-profit private schools which offer preschool education through mergers or contractual arrangements. Therefore, we cannot assure you that such requirements will be always fulfilled successfully or in a timely manner or at all, which may bring more uncertainty to our expansion plan. Furthermore, as advised by our PRC Legal Advisors, we may not be able to acquire compulsory education private schools or non-profit private schools which offer preschool education held by others using methods such as mergers or “contractual arrangements”;
- (ii) According to the 2021 Implementing Regulations, private schools that provide compulsory education are not allowed to enter into transactions with Interested Parties, while other private schools shall conduct transactions with their Interested Parties in a manner that is open, justified and fair, conducted at reasonable pricing, and subject to standardized decision-making established for such transactions and not harmful to the interests of the State, schools, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their Interested Parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial department, shall strengthen supervision over agreements signed between non-profit private schools and their Interested Parties, and shall review connected transactions annually;
- (iii) there are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the 2021 Implementing Regulations. See also “Risk Factors — Risks Relating to Our Business and Our Industry — New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the 2021 Implementing Regulations and related implementation rules” in this document. There can be no assurance that our current decision to register our College as a for-profit private school will not materially and adversely affect our business, financial condition and results of operations. We will make the relevant amendments to our Group’s decision in response to the developments of 2016 Decision and the 2021 Implementing Regulations after consulting our PRC Legal Advisors.

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We may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome. Government authorities may, during their review and audit process, compel us to make modifications to our Contractual Arrangements, which may in turn adversely affect the operation of our Contractual Arrangements. Government authorities may also find that one or more agreements underlying our Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to administrative penalties, resulting in material adverse impact on our operations and financial condition. See “Risk Factors — Risks Relating to our Contractual Arrangements — We rely on payments from Shanxi WFOE to pay dividends and other cash distributions to our Shareholders.” in this document for further details. Under the Law for Promoting Private Education of the PRC, sponsors of a private school are allowed to register and operate such school as a for-profit private school if such school is not providing compulsory education. Pursuant to the Implementing Rules on Classification Registration of Private Schools, the rules for changing the registration type of private schools are to be formulated by the relevant provincial government in accordance with the relevant national legislation according to local conditions. As of the Latest Practicable Date, relevant provisions of the 2021 Implementing Regulations the Shanxi Opinions and the Shanxi Measures do not impose any additional explicit restrictions with respect to registration of classification for existing private schools, except for schools providing compulsory education. On May 24, 2021, with the assistance of our PRC Legal Advisors, we consulted the Department of Education of Shanxi Province (山西省教育廳), being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to educational regulations and policies relevant to us. We were advised by the Department of Education of Shanxi Province that (i) pursuant to the relevant provisions of the Law for Promoting Private Education of the PRC and the 2021 Implementing Regulations, private schools providing compulsory education are required to be registered as a non-profit school; (ii) there are currently no other laws and regulations in the PRC setting out further restrictions or specific conditions for schools to be registered as for-profit schools; and (iii) under the Law for Promoting Private Education of the PRC and the 2021 Implementing Regulations, our College is eligible to be registered as a for-profit private school. Based on the foregoing, subject to potential further restrictions and specific conditions stipulated by future laws, regulations and rules, our PRC Legal Advisors are of the view that there is no material legal impediment for our College to register as a for-profit private school under existing PRC laws and regulations. Furthermore, based on our management’s judgment on the current legal framework in the PRC, our Directors are of the view that there is no practical impediment that might preclude our College from registering as a for-profit private school. We currently expect to register our College as a for-profit private school upon the promulgation of the specific provisions regarding the registration as for-profit or non-profit school in Shanxi Province.

In order to ensure our College can be registered as a for-profit private school, we have adopted the following internal control measures:

- our Board will continuously review the compliance of our College in relation to the registration as a for-profit private school on a regular basis;
- major development and changes arising from the implementation of relevant laws and regulations will be submitted to our Board for review on an occurrence basis;

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- we will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the compliance of our College with any updated relevant laws and regulations; and
- we will seek guidance and/or clarifications from the relevant government authorities, if necessary, to assist our Board to understand the requirements under the relevant laws and regulations applicable to our College.

### Our Control Measures

As part of our measures to mitigate any compliance risk in relation to the 2016 Decision, the 2021 Implementing Regulations and other relevant developments, including our decision to register our College as a for-profit private school or a non-profit private school in the future, we have established a special committee to pay close attention to the developments of the relevant policies and regulations, including the 2016 Decision and the 2021 Implementing Regulations and the operations of our College. The special committee consists of Mr. Niu Jian (牛健), one of our executive Directors, and Mr. Zhang Zhiwei (張志偉), the risk management controller of our Group. For details on working experience relating to risk management of Mr. Zhang Zhiwei, see “Directors and Senior Management — Senior Management” for details. The special committee will mainly consider factors including tax treatment, government support, re-registration procedures, school sponsor’s rights to operating surplus and residual assets, cost to obtain land use right and public image when determining to register our College as for for-profit private school or non-profit private school. We will also promptly consult with our PRC Legal Advisors as and when required. When a preliminary conclusion is reached, the special committee will submit a comprehensive risk management and internal control report for review by the Board. As of the Latest Practicable Date, we do not have an expected timeline to register our College as a for-profit private school. Mr. Niu Jian and Mr. Zhang 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. Niu Jian and Mr. Zhang 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.

### COMPETITION

The education industry in China is rapidly developing. According to the Frost & Sullivan Report, the private education market in China is highly competitive and fragmented. We face competition from national public and private schools in China, in particular other schools in Shanxi Province, China. We believe our principal competitive advantages include:

- the reputation of our College;
- our extensive operating experience;
- the high employment rate of the graduates of our College;
- the scope and quality of the education programs, services and offerings;
- overall student experience;



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- our relationships with college-industry collaboration partners;
- strength in innovation and entrepreneurship; and
- the ability to attract and retain qualified teachers.

We expect competition in the private education market to persist and intensify. We believe we are able to compete effectively due to our strong reputation and long history operating in Shanxi Province. However, some of our existing and potential competitors, especially public schools, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC education industry. If we are unable to compete effectively, our business, financial condition and results of operations may be adversely affected.”. The election to register our College as a non-profit or for-profit private school may have a material impact on our business, financial condition and results of operations. We are currently not able to accurately assess the exact impact such election may have on us due to the absence of any detailed implementation rules under and interpretations of the 2016 Decision. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the 2021 Implementing Regulations and related implementation rules.” in this document for details.

### CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for any of the years ended August 31, 2018, 2019 or 2020 or the four months ended December 31, 2020.

Our suppliers primarily consist of logistics service providers, construction project contractors, maintenance and renovation contractors, heating service providers, booksellers and teaching equipment suppliers. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, purchases from our five largest suppliers amounted to RMB41.8 million, RMB66.5 million, RMB22.3 million and RMB6.8 million, respectively, accounting for 51.5%, 64.8%, 45.1% and 43.3% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier for the year amounted to RMB12.0 million, RMB46.4 million, RMB9.0 million and RMB3.0 million, accounting for 14.8%, 45.1%, 18.2% and 19.2%, respectively, of our total purchases for the relevant periods.

**BUSINESS**

The tables below set forth the details of our five largest suppliers during the Track Record Period:

**For the Year Ended August 31, 2018**

Rank	Supplier	Nature of Supplier and Principal Business Activities	Year(s) of Business Relationship	Products purchased/services provided	Typical Credit Terms	Transaction Amount	As a Percentage of Our Total Purchases
						<i>(RMB in thousands)</i>	<i>(%)</i>
1	Shanxi Tuohuang	A private company engaged in property management services, gardening services, housekeeping services and maintenance services	5	Campus services including meal catering services, campus stores management services, property management services and transportation services	Nil	12,046	14.8
2	Supplier A	A private company engaged in construction services, engineering services and municipal engineering services	8	Construction services	Nil	10,976	13.5
3	Tongcai Investment	A private company engaged in conference services, catering and accommodation services and sales of teaching and office equipment	5	Conference services, catering and accommodation services <sup>(1)</sup> , supply of teaching, office equipment and textbooks	Within seven days	10,293 <sup>(2)</sup>	12.7
4	Supplier B	A private company engaged in construction services, engineering services and municipal engineering services	8	Construction services	Nil	4,287	5.3
5	Supplier C	A private company engaged in construction engineering services, power engineering services and municipal public services	3	Construction services	Nil	4,246	5.2
<b>Total</b>						<b>41,848</b>	<b>51.5</b>

*Notes:*

- (1) Such accommodation services were provided to our College and visitors who came to participate in activities organized at our College to live at our hospitality service center. Our hospitality service center ceased to provide services to such visitors in November 2020 after we terminated our agreement with Tongcai Investment.
- (2) Such amount included our transaction amount with Supplier E which Tongcai Investment held a 51% interest until disposing of such interest in August 2018. Supplier E is a private company which engages in sales of textbooks, periodicals and teaching and office equipment. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, our transaction amounts with such supplier was RMB4.5 million, RMB3.4 million, RMB1.2 million and RMB0.6 million, respectively.

**BUSINESS**

**For the Year Ended August 31, 2019**

Rank	Supplier	Nature of Supplier and Principal Business Activities	Year(s) of Business Relationship	Products purchased/services provided	Typical Credit Terms	Transaction Amount	As Percentage of Our Total Purchases
						<i>(RMB in thousands)</i>	<i>(%)</i>
1	Supplier A	A private company engaged in construction services, engineering services and municipal engineering services	8	Construction services	Nil	46,391	45.1
2	Shanxi Tuohuang	A private company engaged in property management services, gardening services, housekeeping services and maintenance services	5	Campus services including meal catering services, campus stores management services, property management services and transportation services	Nil	9,627	9.4
3	Tongcai Investment	A private company engaged in conference services, catering and accommodation services and sales of teaching and office equipment	5	Conference services, catering and accommodation services <sup>(1)</sup> , supply of teaching and office equipment	Within seven days	3,755	3.7
4	Supplier D	A private company engaged in construction services, engineering services and design services	2	Construction services	Nil	3,394	3.3
5	Supplier E	A private company engaged in sales of textbooks, periodicals and teaching and office equipment	4	Textbooks and periodicals	Nil	3,364	3.3
<b>Total</b>						<b>66,531</b>	<b>64.8</b>

*Note:*

- (1) Such accommodation services were provided to our College and visitors who came to participate in activities organized at our College to live at our hospitality service center. Our hospitality service center ceased to provide services to such visitors in November 2020 after we terminated our agreement with Tongcai Investment.

**BUSINESS**

**For the Year Ended August 31, 2020**

Rank	Supplier	Nature of Supplier and Principal Business Activities	Year(s) of Business Relationship	Products purchased/services provided	Typical Credit Terms	Transaction Amount	As Percentage of Our Total Purchases
						<i>(RMB in thousands)</i>	<i>(%)</i>
1	Shanxi Tuohuang	A private company engaged in property management services, gardening services, housekeeping services and maintenance services	5	Campus services including meal catering services, campus stores management services, property management services and transportation services	Nil	9,000	18.2
2	Supplier F	A private company engaged in construction services, engineering services and designing services	1	Construction services	Nil	4,500	9.1
3	Supplier B	A private company engaged in construction services, engineering services and municipal engineering services	8	Construction services	Nil	2,947	6.0
4	Tongcai Investment	A private company engaged in conference services, catering and accommodation services and sales of teaching and office equipment	5	Conference services, catering and accommodation services <sup>(1)</sup> , supply of teaching and office equipment	Within seven days	2,268	4.6
5	Supplier G	A private company engaged in construction services, fire control engineering and installation services	1	Fire control engineering and construction services	Nil	1,800	3.6
5	Supplier H	A private company engaged in construction services, fire control engineering and installation services	1	Fire control engineering and construction services	Nil	1,800	3.6
<b>Total</b>						<b>22,315</b>	<b>45.1</b>

*Note:*

- (1) Such accommodation services were provided to our College and visitors who came to participate in activities organized at our College at our hospitality service center. Our hospitality service center ceased to provide services to such visitors in November 2020 after we terminated our agreement with Tongcai Investment.

**BUSINESS**

**For the Four Months Ended December 31, 2020**

Rank	Supplier	Nature of Supplier and Principal Business Activities	Year(s) of Business Relationship	Products purchased/ services provided	Typical Credit Terms	Transaction Amount  <i>(RMB in thousands)</i>	As Percentage of Our Total Purchases  <i>(%)</i>
1	Shanxi Tuohuang	A private company engaged in property management services, gardening services, housekeeping services and maintenance services	5	Campus services including meal catering services, campus stores management services, property management services and transportation services	Nil	3,000	19.2
2	Supplier I	A private company engaged in residential interior decoration, building construction and waterproof and thermal insulation engineering	1	Constructions services	Nil	1,427	9.1
3	Supplier J	A private company engaged in construction engineering and building decoration engineering	1	Constructions services	Nil	840	5.4
4	Supplier K	A private company engaged in sales of laboratory equipment, measuring instruments, teaching models, scientific and educational equipment	1	Supply of teaching equipment	Within seven days	800	5.1
5	Supplier L	A private company engaged in interior decoration project, waterproof and thermal insulation project	6	Constructions services	Nil	707	4.5
<b>Total</b>						<b>6,774</b>	<b>43.3</b>

## BUSINESS

### Independence of our Top Five Suppliers

One of our top five suppliers during the Track Record Period was Shanxi Tuohuang, a private company established on December 4, 2015 which primarily engaged in property management services, gardening services, housekeeping services and maintenance services, and offering construction services, engineering services and municipal engineering services. Mr. Niu Jian (our executive Director and chief executive officer) initially considered to held a 31.8% interest in, and being a supervisor (who did not oversee its daily operations) of Shanxi Tuohuang could facilitate an effective monitoring of the business operation and the quality of service of Shanxi Tuohuang during initial cooperation. As the business relationship between our Group and Shanxi Tuohuang stabilized after the parties have worked together for more than two years by 2018, Mr. Niu Jian considered there was no need for him to continue to retain his interest in Shanxi Tuohuang, thus decided to dispose his interest in Shanxi Tuohuang in June 2018. Upon such disposal and as of the Latest Practicable Date, Shanxi Tuohuang was an Independent Third Party. Shanxi Tuohuang provides campus services to our College. Please see “— Our School Management — Campus Services” for further details.

As of the Latest Practicable Date, Mr. Niu Sanping (our Chairman, executive Director and the Controlling Shareholder of our Group) and Mr. Niu Jian (our executive Director and chief executive officer) collectively held an 80% interest in Tongcai Investment, a company offering conference services, catering and accommodation services and engaged in sales of teaching and office equipment, and our third largest supplier in each of the years ending August 31, 2018 and 2019 and fourth largest supplier in the year ended August 31, 2020. Tongcai Investment is therefore a connected person of our Company. Over the Track Record Period, Tongcai Investment primarily provided conference services, catering and accommodation services to our College and to visitors who came to participate in activities organized at our College at our internal hospitality service center and provided teaching supplies and office equipment. Pursuant to a cooperative operation termination agreement, our College and Tongcai Investment agreed to terminate the arrangement with Tongcai Investment in November 2020 after which our College ceased to provide services to visitors who came to participate in activities organized at our College and would self-operate the related functions and source the teaching and office equipment itself.

Our Directors confirm that save as disclosed above, all of our top five suppliers are Independent Third Parties, and none of our Directors, their respective close associates or any Shareholder who, to the best knowledge and information of our Directors, owned more than 5% of the issued share capital of our Company, had any interest in any of our Group’s top five suppliers during the Track Record Period.

### INTELLECTUAL PROPERTY

Our business relies substantially on the creation, use and protection of our proprietary curriculum and course materials. Other forms of intellectual property we own include our patents, trademarks, copyrights and domain names. As of the Latest Practicable Date, we owned one registered trademark in the PRC relating to the logo of our College. We have registered four domain names, two copyrights and six copyright of computer software. See “Appendix V — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual property rights of our Group” in this document 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”.

**BUSINESS**

**AWARDS AND RECOGNITIONS**

Our College have received numerous awards and recognition since our establishment in recognition of the quality of the education we provide, the graduate employment rates we achieved and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we have received:

<u>Year</u>	<u>Award/Accreditation</u>	<u>Awarding Organization</u>
2019	National Education System Exceptional Group (全國教育系統先進集體)	MOE and Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部)
2017	National May Day Labor Certificate (全國五一勞動獎狀)	All-China Federation of Trade Unions (中華全國總工會)
2017 and 2019	May Day Labor Certificate (五一勞動獎狀)	Shanxi Education, Science, Culture, Health and Sports Trade Union Committee (山西省教科文衛體工會委員會)
2015	14th National Model Unit for Staff Professional Ethics Construction (第十四屆全國職工職業道德建設標兵單位)	National Staff Professional Ethics Construction Guidance and Coordination Group (全國職工職業道德建設指導協調小組)
2015	National Exceptional Society Organization (全國先進社會組織)	Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部)
2015	Campus Cultural Work Innovation Award (校園文化工作創新獎)	Department of Education of Shanxi Province (山西省教育廳), Shanxi Provincial Committee of the Communist Youth (共青團山西省委員會) and Shanxi Student Union (山西省學生聯合會)
2014	Civilized College Unit (高校文明單位) (2012-2013)	The Guiding Committee of Shanxi College Spiritual Civilization Development (山西省高校精神文明建設指導委員會)
2013	Provincial Exceptional Society Organization (全省先進社會組織)	Department of Civil Affairs of Shanxi Province (山西省民政廳) and Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳)

**BUSINESS**

<u>Year</u>	<u>Award/Accreditation</u>	<u>Awarding Organization</u>
2012	The 3rd National College Student Art Exhibition Excellent Organization Award (全國第三屆大學生藝術展演活動優秀組織獎)	MOE

**EMPLOYEES**

As of September 30, 2017, 2018, 2019 and October 31, 2020, we had approximately 1,418, 1,475, 1,490 and 1,486 employees, respectively. The following table sets forth the total number of employees by function as of December 31, 2020:

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total</u>
Teachers <sup>(1)</sup>	1,102	73.4
Teaching assistants	150	10.0
Management	9	0.6
Administrative staff	199	13.2
Accounting and finance staff	7	0.5
Logistics personnel	34	2.3
<b>Total</b>	<b>1,501</b>	<b>100.0</b>

*Note:*

(1) Including 558 full-time teachers and 544 part-time teachers.

As required by relevant PRC laws and regulations, we participate in various employee social insurance plans and contributions to housing provident fund for our employees that are administered by local government agencies, including housing, pension, medical insurance, maternity insurance and unemployment insurance. We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period. During the Track Record Period, we did not make full contributions to the social insurance plans and housing provident fund. See “— Legal Proceedings and Non-compliance” in this section for details.

**PROPERTIES**

As of the Latest Practicable Date, we held interests in seven parcels of land in the PRC with a total gross site area of approximately 481,504.4 sq. m. and 81 buildings and ancillary structures with an aggregate gross floor area of approximately 377,555.7 sq. m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The total market value of our property interests as of March 31, 2021 was RMB330.0 million, according to the property valuation report prepared by Vincorn Consulting and Appraisal Limited. See “Appendix III — Property Valuation Report” in this document for more information. None of our properties were pledged.



**BUSINESS**

**Owned Properties**

*Land*

As of the Latest Practicable Date, we held interests in seven parcel(s) of land for Shanxi Technology and Business College with a total site area of approximately 481,504.4 sq. m. As of the Latest Practicable Date, we had obtained the land use right certificates or real estate title certificates for four of the seven parcels of land used by our College with a gross site area of approximately 356,700.6 sq. m.

*Land for which we had obtained land use rights certificates or real estate title certificates*

The following table sets forth a summary of the land we owned with respect to which we had obtained land use right certificates or real estate title certificates:

No.	Land Use Right Owner	Description/ Location	Gross Site Area  (sq. m.) (Approximately)	Existing Use	Expiry Date
1	Shanxi Technology and Business College	Shanxi Technology and Business College Longcheng campus, located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	56,944.8	Science and education	N/A
2	Shanxi Technology and Business College	Shanxi Technology and Business College Longcheng campus, located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	2,321.8	Science and education	N/A
3	Shanxi Technology and Business College	Shanxi Technology and Business College Longcheng campus, located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	38,994.5	Science and education	N/A
4	Shanxi Technology and Business College	Shanxi Technology and Business College Beige campus, located at Beige Village North Road, Beige Village, Xiaodian District, Taiyuan, Shanxi Province, the PRC	258,439.4 <sup>(1)</sup>	Science and education	N/A

*Note:*

- (1) The land use right for this parcel of land was allocated to our College on October 18, 2013. A portion of this parcel of land with a site area of approximately 9.1 mu (6,066.7 sq. m.) was illegally occupied by a third-party individual. Pursuant to the civil judgment against such individual issued by Intermediate People's Court of Taiyuan City, Shanxi Province on August 14, 2019, such individual shall vacate the above land he illegally occupied within 30 days after the judgment became effective and returned such land to our College. Our College has subsequently applied to the People's Court of Xiaodian District, Taiyuan City on January 20, 2020 for compulsory enforcement, and the court issued a notice on June 4, 2020 to such individual to vacate land within 10 days from the date of the notice. In December 2020, the third-party individual returned this parcel of land to us. The intended use of the parcel of land was to construct a teaching building as part of our construction of Phase IV of our Beige campus.

**BUSINESS**

*Land for which we had not obtained land use rights certificates or real estate title certificates*

As of the Latest Practicable Date, we had not obtained land use right certificates or real estate title certificates with respect to three of the seven parcels of land used by our College with a gross site area of approximately 124,803.8 sq. m., representing 25.9% of the total land used by our College.

The following table sets forth details of the land for which we had not obtained land use right certificates or real estate title certificates as of the Latest Practicable Date.

<u>No.</u>	<u>Land Interest Held by</u>	<u>Description/Location</u>	<u>Gross Site Area</u> <i>(sq. m.)</i> <i>(Approximately)</i>	<u>Actual Use</u>
1	Shanxi Technology and Business College	Shanxi Technology and Business College Longcheng campus, located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, the PRC	88,763.5 <sup>(1)</sup>	Science & education
2	Shanxi Technology and Business College	Shanxi Technology and Business College Beige campus, located at Beige Village North Road, Beige Village, Xiaodian District, Taiyuan, Shanxi Province, the PRC	11,400.0 <sup>(2)</sup>	Not in use
3	Shanxi Technology and Business College	Shanxi Technology and Business College Beige campus, located at Beige Village North Road, Beige Village, Xiaodian District, Taiyuan, Shanxi Province, the PRC	24,640.3 <sup>(3)</sup>	Not in use

*Note:*

- (1) Pursuant to the Supplementary Agreement on Land Compensation entered into between our College and a residential community committee (“**Residential Community Committee A**”) on January 8, 2019, the land requisitioned by our College is the collective land of the Residential Community Committee A, with gross site area of approximately 125.1 mu (83,368.0 sq. m.). Pursuant to the second Supplementary Agreement on Land Compensation entered into between our College and the Residential Community Committee A on May 9, 2020, the actual gross site area of the land is approximately 130.6 mu (87,099.5 sq. m.). Pursuant to a Land Resumption Notice issued by the Bureau of Natural Resources of Xiaodian District, Taiyuan City (太原市小店區自然資源局) on September 3, 2019, together with the above land of approximately 130.6 mu (87,099.5 sq. m.), a land of the site area of approximately 2.5 mu (1,664.0 sq. m.) of another residential community committee (“**Residential Community Committee B**”) was proposed to be requisitioned. Pursuant to a note issued by Residential Community Committee A and Residential Community Committee B dated November 3, 2020, our College has paid land acquisition compensation fees to both Residential Community Committee A and Residential Community Committee B. Subsequently, on November 4, 2020, the People’s Government of Xiaodian District, Taiyuan City (太原市小店區人民政府) issued a letter, pursuant to which the land acquisition compensation has been acknowledged to be fully settled. As of the Latest Practicable Date, our College had built approximately 15 buildings with an aggregate gross floor area of approximately 21,792.2 sq. m. on this land, including a training center, a staff dormitory, gymnasium, a bathing center, and some ancillary structures, such as a water treatment station and a waste transfer station. See “— Buildings” below in this section for further details.

## BUSINESS

- (2) Pursuant to the Land Compensation Contract entered into between our College and a village committee (“**Village Committee**”) on June 18, 2009, the land was proposed to be requisitioned by our College, the gross site area of land was approximately 17.1 mu (11,400.0 sq. m.), and the existing use of the land is collective land. The land acquisition compensation was fully settled in August 2010. The intended use of the land is for construction of teaching facilities on Beige campus. Since the aforementioned contract was signed and up to the Latest Practicable Date, our College had not built any buildings on such land. As of the Latest Practicable Date, the land was still classified as collectively-owned land.
- (3) Pursuant to Land Compensation Contract entered between the Bureau of Education of Xiaodian District, Taiyuan and the Village Committee on June 6, 2009, the Village Committee transferred the land use rights with regard to such land to the Bureau of Education of Xiaodian District, Taiyuan. Pursuant to such agreement, the Bureau of Education of Xiaodian District, Taiyuan had the rights to (i) obtain the land use rights with regard to such land; (ii) plan, design and build on the land; and (iii) require the Village Committee to assist in handling relevant procedures, including land allocation, site selection and land use. In addition, the Bureau of Education of Xiaodian District, Taiyuan was obligated to (i) pay the land transfer compensation as agreed; and (ii) give priority to the Village Committee or entities or personnel entrusted by the Village Committee when hiring personnel for construction work on the land to the extent that these entities were competent to undertake the work. Pursuant to the Transfer Contract of Land Compensation Contract entered between our College and the Bureau of Education of Xiaodian District, Taiyuan on May 20, 2011, agreed by the Village Committee, being the representative of the Beige Village in relation to the subject land, the Bureau of Education of Xiaodian District, Taiyuan transferred its rights and obligations in relation to such land to our College. Pursuant to the Project Compensation Agreement of Xiaohu Industrial Zone of Xiaodian District entered into between the People’s Government of Beige Town and our College signed on August 23, 2018 and a certificate issued by the Village Committee on November 26, 2020, the People’s Government of Beige Town has expropriated a parcel of land of the site area of approximately 7.0 mu (4,666.7 sq. m.) of the portion of the land of the site area of approximately 44.0 mu (29,307.0 sq. m.). Pursuant to the certificate, the land acquisition compensation has been acknowledged to be fully settled. The intended use of the land is for construction of teaching facilities on Beige campus. Since the aforementioned contract was signed and up to the Latest Practicable Date, our College had not built any buildings on such land. As of the Latest Practicable Date, the land was still classified as collectively-owned land.

### ***Buildings***

As of the Latest Practicable Date, we held interest in (i) a total of 52 buildings with an aggregate gross floor area of approximately 200,662.8 sq. m. located on our Longcheng campus; and (ii) a total of 29 buildings with an aggregate gross floor area of approximately 176,893.0 sq. m. on our Beige campus.

As of the Latest Practicable Date, certain buildings which we held interest in were not in full compliance with the laws and regulations of the PRC. For details on the defects and legal consequences associated with the properties we owned and occupied for our operations, see “— Legal Proceedings and Non-compliance” below in this section.

For risks and uncertainties associated with our failure to obtain the necessary permits or carry out necessary procedures in relation to buildings we use, 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 and several of the properties we use for our operations are not in compliance with applicable laws and regulations” in this document.

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### **Leased Properties**

As of the Latest Practicable Date, we did not lease any properties in the PRC.

### **Properties used by us for free**

As of the Latest Practicable Date, according to a certificate of authorization issued by an Independent Third Party, on July 7, 2020, Shanxi WFOE was authorized to use one property provided to Shanxi WFOE by such third-party company with a gross floor area of approximately 30 sq. m. for free until November 30, 2021. The property is located in an entrepreneurial base for science and technology enterprises recognized by the Department of Science and Technology of Shanxi Province \*(山西省科學技術廳) enjoying certain government support, such as preferential rental treatment. This building is currently being used for office purposes.

### **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 College 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 Conditions, 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 Indicators, shall be nine 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 College's teaching and administrative building area to the number of students enrolled shall not be less than nine sq. m. and the restrictive threshold of such ratio shall not be less than five sq. m. as our College falls under the category of finance and economics school as stipulated by the Conditions.

In addition, the applicable ratio of our College's site area to the number of students enrolled shall be not less than 54 sq.m. per student enrolled as our College falls under the school category of literature, finance and economics, and law school as stipulated by the Conditions. The ratio of school site area to the number of students enrolled is a Monitoring Indicators under the Conditions.

**BUSINESS**

The following table sets forth the requirements for the different indicators with respect to ratio of school site area/teaching and administrative building area to the number of students enrolled, as well as our relevant ratios during the Track Record Period, our compliance status and expected timeline for achieving Qualified Indicators are as follows:

Qualified Indicators	Restrictive Indicators	Monitoring Indicators	School Year <sup>(1)</sup>				Our compliance status during the Track Record Period	Expected timeline for achieving compliance with Monitoring Indicators
			2017/2018	2018/2019	2019/2020	2020/2021		
<i>(sq. m./student enrolled)</i>								
Ratio of teaching and administrative building area to the number of students enrolled	not less than nine sq. m. per student	not less than five sq. m. per student	N/A	8.2	8.7	9.8	9.7	Compliant with Qualified Indicators for the 2019/2020 and 2020/2021 school year, but not compliant with Qualified Indicators for the 2017/2018 and 2018/2019 school year
Ratio of school site area to the number of students enrolled	N/A	N/A	not less than 54 sq. m.	27.8	28.5	28.8	27.9	Not compliant The expected timeline of achieving the Monitoring Indicators is not certain as it is subject to the land allocation plans and approvals of the local government which is beyond our control. We will continually monitor the situation and would purchase additional land to the extent this became available and required by relevant government authorities under the Conditions.

*Note:*

- (1) Ratio of teaching and administrative building area to the number of students enrolled and ratio of school site area to the number of students enrolled are calculated based on the internal records of (i) the number of students enrolled, (ii) teaching and administrative building area and (iii) school site area as of September 30 of the 2017/2018, 2018/2019 and 2019/2020 school years. For the 2020/2021 school year, due to the impact of COVID-19, the beginning of the semester was delayed until October 12, 2020 for new students. For purposes of providing a fair comparable figure, we use the number of students enrolled and teaching and administrative building area and school site area as of October 31, 2020 to present the figures for the 2020/2021 school year.

During the Track Record Period, our College did not comply with the Monitoring Indicators under the Conditions in relation to the ratio of school site area to the number of students enrolled. For details of the non-compliance and legal consequences associated, see “— Legal Proceedings and Non-compliance” below in this section.

## BUSINESS

### INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events, such as school 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 Industry — We maintain limited insurance coverage” for more information.

### LICENSES AND PERMITS

Our PRC Legal Advisors, Commerce & Finance Law Offices, have advised that during the Track Record Period and up to the Latest Practicable Date, except for certain non-compliance matters as disclosed in “— Legal Proceedings and Non-compliance” in this document and other than disclosed in this section below, (i) 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 (ii) such licenses, permits, approvals and certificates remained in full effect.

The table below sets forth details of our material licenses and permits:

License/Permit	Holder	Granting authority	Grant date	Expiry date
Private school operating license* (民辦學校辦學許可證)	Shanxi Technology and Business College	MOE	October, 2020	October, 2024
Private non-enterprise registration certificate* (民辦非企業單位登記證)	Shanxi Technology and Business College	Department of Civil Affairs of Shanxi Province* (山西省民政廳)	April 23, 2021	April 23, 2025
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	April 25, 2018	April 24, 2023
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	April 25, 2018	April 24, 2023

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<u>License/Permit</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Grant date</u>	<u>Expiry date</u>
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	February 24, 2017	February 23, 2022
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	November 11, 2016	November 9, 2021
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	September 14, 2018	September 13, 2023
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	September 27, 2018	September 26, 2023
Food business license* (食品經營許可證)	Shanxi Technology and Business College	Bureau of Food and Drug Administration of Xiaodian District, Taiyuan City (太原市小店區食品藥品監督管理局)	March 13, 2018	March 12, 2023
Medical Institution Practicing License (醫療機構執業許可證)	Shanxi Technology and Business College School Clinic	Bureau of Administrative Approval Service Administration of Xiaodian District, Taiyuan City* (太原市小店區行政審批服務管理局)	May 21, 2020	May 20, 2025

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<u>License/Permit</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Grant date</u>	<u>Expiry date</u>
	Shanxi Technology and Business College Beige Campus School Clinic	Bureau of Administrative Approval Service Administration of Xiaodian District, Taiyuan City* (太原市小店區行政審批服務管理局)	December 24, 2020	December 23, 2025
Sanitation license* (衛生許可證)	Shanxi Technology and Business College (Bath Center)	Health and Family Planning Commission of Xiaodian District, Taiyuan City (太原市衛生和計劃生育委員會)	July 11, 2018	July 10, 2022
Discharge of urban sewage into the drainage network license* (城鎮污水排入排水管網許可證)	Shanxi Technology and Business College (Longcheng campus)	Bureau of Administrative Approval Service Administration of Taiyuan City* (太原市行政審批服務管理局)	September 2, 2020	September 1, 2025
Discharge of urban sewage into the drainage network license* (城鎮污水排入排水管網許可證)	Shanxi Technology and Business College (Beige campus)	Bureau of Administrative Approval Service Administration of Taiyuan City* (太原市行政審批服務管理局)	September 2, 2020	September 1, 2025

We have also obtained governmental approvals regarding the standards of our tuition and boarding fees, including Notice of Shanxi Price Bureau on Undergraduate Tuition Fees Standards for seven Colleges including Business College of Shanxi University (《山西省物價局關於山西大學商務學院等7所學院本科學費標準的通知》) issued by Shanxi Price Bureau (山西省物價局) on August 13, 2015, Reply to Boarding Fees Standards of Shanxi Technology and Business College (《關於山西工商學院住宿費標準的批覆》) issued by Shanxi Development and Reform Commission (山西省發展和改革委員會) on May 11, 2017 and Reply to Student Dormitories Boarding Fees Standards of Shanxi Technology and Business College (《關於山西工商學院學生公寓住宿費標準的覆函》) issued by Shanxi Development and Reform Commission (山西省發展和改革委員會) on August 6, 2019.



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As of the Latest Practicable Date, we are in the process of obtaining, renewing or updating the following license:

<b>License/Permit</b>	<b>Holder</b>	<b>Remarks</b>
Sanitation license* (衛生許可證)	Shanxi Technology and Business College (Bath Center)	As of the Latest Practicable Date, we were in the process of applying for a sanitation license for our bath center on Beige campus. As of the Latest Practicable Date, we were in the process of applying for a real estate title certificate or building ownership certificate for our bath center, which is a pre-requisite for obtaining the sanitation license. We will not put the bath center on Beige campus into use before obtaining the relevant sanitation license.

**HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

**Health and Safety Matters**

We are dedicated to protecting the health and safety of our students. As of the Latest Practicable Date, we had eight on-site medical staff at our College to handle routine medical situations involving our students, including qualified doctors and qualified nurses. In certain serious and emergency medical situations, we promptly send our students to local hospitals for treatment. See “— Our School Management — Medical Care Services” in this section for details. With respect to school safety, we employed security and safety personnel working at our campus security and safety department and supplement our own security personnel with additional security personnel from third-party security service companies. We were recognized as a “Safety Campus” (平安校園) by the Department of Education of Shanxi Province, Department of Public Security of Shanxi Province (山西省公安廳) and other related governmental authorities from 2011 to 2013 and 2015 to 2018.

In view of the recent COVID-19 outbreak, and to better protect the safety and health of our students and faculty, consistent with the Guiding Opinions on the Organization and Management of Online Teaching in Ordinary Colleges and Universities During the Period of Epidemic Prevention and Control (《關於在疫情防控制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》) issued by MOE and the Notice on Doing a Good Job in Teaching and Management in Colleges and Universities During the Delayed Start of School Due to Epidemic Prevention and Control (《關於做好因疫情防控制延遲開學期間高校教學和管理工作的通知》) issued by the Department of Education of Shanxi Province, our school campuses suspended on-campus operations from March 2020 to May 2020. We postponed the commencement of the spring semester of the 2019/2020 school year for our College and set different

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back-to-school timelines for the students until May and June 2020. Before our students returned to school, we conducted online courses as an alternative to in classroom learning for the spring semester from March 2020 to June 2020. See “— Our College — Curriculums and degrees” in this section” for more details.

We made thorough plans to prepare for the return of our students, including, among others, (i) closely monitoring updates from the national and local government and public health authorities; (ii) setting up a special epidemic prevention committee to oversee the overall implementation of the measures to combat the COVID-19 outbreak. In the event of any suspected/confirmed cases, we will report to the committee immediately, raise pandemic alarm and act promptly; (iii) closing the school campuses to the public and measuring body temperature of all employees twice each day and all students before they return to school to ensure no one with COVID-19 symptoms enter or work on our campuses; (iv) recording each employee’s and student’s health profile (including body temperature) and ensuring that they have not been exposed to the virus and they are in good health for 14 days prior to their return to school. The health profiles will be updated daily with their health conditions; (v) avoiding gatherings and encouraging employees to participate in video and telephone conferences instead of attending physical meetings on campus if possible; (vi) providing sanitary masks to employees, requiring them to wear sanitary masks before entering the campuses, and providing disinfecting products, including hand cleansing gel and alcohol disinfectant, to employees for their personal hygiene; (vii) increasing the frequency of sterilization and ventilation at all of the facilities on our school campuses; (viii) suggesting employees not to use public transportation for commuting to our College; and (ix) arranging lunch delivery for all employees and making sure no employee sits next to each other or talks to each other within close proximity during lunch.

Our students returned to school for the 2020/2021 school year for which classes began on September 14, 2020, and our new students came registered for the 2020/2021 school year for which classes began on October 12, 2020. In light of the expected recovery of the economies of the PRC and Shanxi Province and the measures to mitigate the adverse effects of the COVID-19 outbreak, we believe that our on-campus teaching and study progress for the 2020/2021 school year will not be materially and adversely hindered by the COVID-19 outbreak. However, in the event our students are not able to attend classes on our school campuses for any portion of the 2020/2021 school year due to any major health and safety concerns, we will be able to respond quickly and arrange resuming teaching online. As we still render education services to our students online, even when on-campus learning is not possible we continue to receive tuition fees and recognize such revenue in the ordinary course of business. However, if our students were no longer able to use the dormitories on campuses, we could be required to refund some of the boarding fees received and lose a portion of the revenue from boarding fees based on the actual amount of time students were able to live in our dormitories. See “Risk Factors — Risks Relating to Our Business and Our Industry — There can be 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 for refunds of tuition fees and/or boarding fees.” in this document for further details.

During the Track Record Period and up to the Latest Practicable Date, other than the COVID-19 outbreak, we did not experience any medical situation, serious accident or safety issue involving our students.

### **Social and Environmental Matters**

We consider environmental, social and governance (“ESG”) important to our development. We acknowledge our responsibilities on environmental, social related and climate-related issues. We are committed to comply with ESG reporting requirements upon [REDACTED].

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We have formulated and adopted our ESG strategy and policies in accordance with the standards of Appendix 27 to the Listing Rules, which outlines, among others, (i) the identification and evaluation of ESG related risks, including climate-related risks, and their potential impact on our operation; (ii) the measures and strategies we adopt to manage and mitigate the ESG-related risks; (iii) the identification, monitor and assessment of key performance indicators (“KPIs”); (iv) occupational health and work safety policies; and (v) engagement in social and community matters.

### *Governance on ESG Matters*

Our Board will be collectively responsible for establishing, adopting and reviewing the ESG goals and targets of our Group, identifying KPIs and the relevant measurements and identifying, evaluating and addressing our ESG-related risks in accordance with Appendix 27 to the Listing Rules. Our management team is generally responsible for implementing the ESG policies in the Group’s business operations. We have established policies to ensure our compliance with applicable laws and regulations related to the environment, including the Environmental Protection Law (《中華人民共和國環境保護法》), the Atmospheric Pollution Prevention Law (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention Law (《中華人民共和國水污染防治法》), the Solid Waste Pollution Control Law (《中華人民共和國固體廢物污染防治法》) and the Energy Conservation Law (《中華人民共和國節約能源法》) in China and ensure that our daily operation do not have any significant impact on the environment and natural resources. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and as of the Latest Practicable Date, no material administrative penalties or fines were imposed upon us for the violation of environmental laws or regulations which had an adverse impact on our operations and we did not have any incidents or complaints which had a material adverse effect on our business, financial condition or results of operations.

We also intend to invest in social-related aspects, including compliance with employment related laws and regulation, students’ and employees’ health and safety, employee development and training, anti-corruption and community investment.

### *Risks and Potential Impacts*

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any environmental-related or social-related risks or climate-related issues that would actually or potentially impact our business, strategy or financial performance. We had not incurred and do not expect to incur significant cost in connection with environmental-related or social-related risks or climate-related issues.

### *Measures and Strategies in Addressing ESG-Related Risk*

We intend to adopt various strategies and measures to identify, assess and manage environmental-related risks, social-related risks, and climate-related issues, including but not limited to:

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis;
- discussing among management from time to time to ensure all the material ESG areas are recognized and reported;
- discussing with key stakeholders on an ongoing basis on key ESG principles and practices as well as their concerns and expectations to ensure that the significant aspects are covered;

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- setting targets for each major ESG KPI with reference to guidance on ESG released by the Stock Exchange, including emission, pollution and other impact on the environment aiming at reducing emissions and natural resource consumption and evaluate the ESG results annually; and
- adopting incentive policies for the management in relation to ESG matters, including but not limited to achievement of the announced ESG targets.

Our Group has also adopted and implemented student health and safety measures and procedures to protect our students from bodily harm and other health and safety risks. We provide routine medical services for our students and faculty by qualified medical personnel. In the event of serious or emergency medical situations, we will promptly send our students to local hospitals for treatment. With respect to school safety, we promote the security of our College by engaging third party security companies to provide security services.

### *Metrics and Targets*

The metrics and targets used to assess environmental-related risks mainly include pollutants emissions and use of resources. The direct emission of greenhouse gases is the exhaust produced by our self-owned vehicles and the emission from the use of natural gas in canteens. Given the nature of our operations, no substantial emissions are produced by combustion of any fuels in our daily operations as our Group is not engaged in any industrial production. Indirect greenhouse gas emission is mainly generated from the use of electricity, electricity consumption for wastewater treatment and waste paper. We have made rational use of energy and resources such as water, electricity and natural gas. For the year ended August 31, 2020, our main energy and resources consumption was as follows:

<u>Type of Energy</u>	<u>Unit</u>	<u>Consumption</u>
Total amount of electricity consumed	Megawatt-hour	7,613.6
Total amount of water consumed	Thousand ton	225.0
Total natural gas consumed	Thousand m <sup>3</sup>	2,041.6

The metrics and targets used to assess social-related risks mainly include employee gender structure, employee turnover rate, employee age distribution, frequency of employee training, and completion of learning hours.

We will continue to promote and educate students and staff on energy conservation and emission reduction to minimize the consumption of water, electricity and natural gas, and the emission of wastewater and gas in accordance with our ESG policies.

## LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, we did not commit any material non-compliance of the laws or regulations and did not experience any systemic non-compliance incidents, which taken as a whole, in the opinion of the Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any other material non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. According to our PRC Legal Advisors, Commerce & Finance Law Offices, other than disclosed in this section below, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

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Set forth below is a summary of our 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:

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
1.	<p>During the Track Record Period, we did not make the social insurance payments and housing provident fund contributions in full for our employees 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.</p> <p>We did not handle the registration for the housing provident fund and did not make any housing provident fund contributions for our employees until we had rectified such registration and began to make housing provident fund contributions since April 2017.</p> <p>As of August 31, 2018, 2019 and 2020 and December 31, 2020, the aggregate amount of underpaid social insurance contributions was approximately RMB2.8 million, RMB2.0 million, RMB2.3 million and RMB2.7 million, respectively, and the aggregate amount of unpaid housing provident fund contributions was approximately RMB2.9 million, RMB2.5 million, RMB1.9 million and RMB1.5 million, respectively.</p>	<p>These non-compliance incidents were mainly due to administrative oversight and our human resources staff being unfamiliar with relevant regulatory requirements.</p>	<p>As advised by our PRC Legal Advisors, if the competent PRC government authority is of the view that the social insurance payments we made for our employees were in breach of the relevant PRC laws and regulations, we may be ordered to pay the outstanding balance to the relevant PRC local authorities within a prescribed 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.</p> <p>As advised by our PRC Legal Advisors, if the competent PRC government authority is of the view that the contributions for the housing provident fund we made for our employees were in breach of the relevant PRC laws and regulations, we may be ordered to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. If we fail to do so within the prescribed period, the competent PRC government authority can apply to the People’s Court for compulsory execution.</p> <p>We estimate that the potential maximum penalty for our non-compliances in relation to social insurance payments is approximately RMB14.0 million if we fail to pay the outstanding balance to the relevant PRC local authorities within a prescribed period when ordered by such authorities.</p>	<p>As of the Latest Practicable Date, no administrative action had been initiated, and no fine or penalty had been imposed against us by the relevant PRC government authorities with respect to these non-compliance incidents, nor had any order been received by us to settle the outstanding amount of social insurance payments or housing provident fund contributions.</p>	<p>On the basis that, (i) we had made provision of approximately RMB4.2 million as of December 31, 2020, for the outstanding balance related to social insurance and the housing provident fund; and (ii) we have undertaken, that if we receive any order from the relevant authorities requiring us to settle the unpaid social insurance payments and housing provident fund contributions we will fulfill the requirements in a timely manner, our Director are of the view that even if we were fined or penalized by the relevant authorities due to our failure to make full contributions of social insurance and housing provident fund, the impact on our business operation and financial results would not be material.</p>	<p>Since January 2019, we have made full contribution to social security for our employees in accordance with the relevant PRC laws and regulations.</p> <p>Since May 2020, we have made full contribution to the housing provident fund for our employees in accordance with the relevant PRC laws and regulations.</p> <p>We have reviewed our internal control policies and measures and have designated Mr. Zhang Zhiwei (張志偉), our risk management controller, to closely monitor our on-going compliance with social insurance payments and housing provident fund contributions and to oversee and ensure the effective implementation of our internal control policies and measures.</p> <p>In addition, our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses which may be incurred by us arising from such non-compliance incidents.</p>

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures		
					<p>In April 2021, Taiyuan Human Resources and Social Security Bureau (太原市人力资源和社会保障局), being the competent authority regulating our College on this matter, as advised by our PRC Legal Advisors, issued written confirmations to us confirming that (i) our College had handled the registration of social insurance and passed the annual inspection for each year; (ii) there were no penalties being imposed on our College for violating any applicable laws, regulations and guidance documents relating to social insurance payments during the Track Record Period; (iii) it would not order our College to pay the outstanding balance related to social insurance or impose late fee or penalties on our College for the failure to make the social insurance payments in full for our employees; (iv) save for the above non-compliance incident, our College had complied with the laws, regulations, rules and normative documents relating to social insurance and had paid the social insurance premiums in full and on a timely basis for our employees; (v) there was no default, omission or underpayment of social insurance premiums or other violation of social insurance laws and regulations, and there was no investigation or penalty imposed against us by it; and (vi) there was no dispute or litigation with it and it had not received any complaint against us in relation to social insurance matters. Our PRC Legal Advisors are of the view that based on such confirmations, the risk that such bureau will impose penalties or fines on us as a result of such non-compliance is relatively low.</p>			

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures	
					<p>In April 2021, Taiyuan Housing Provident Fund Management Center (太原市住房公积金管理中心), being the competent authority regulating our College on this matter, as advised by our PRC Legal Advisors, issued written confirmations to us confirming that (i) it is the competent government authority regulating housing provident fund matters for our College; (ii) there were no penalties being imposed on our College for violating any applicable laws, regulations and guidance documents relating to housing provident fund contributions during the Track Record Period; (iii) our College had handled the registration for the housing provident fund in April 2017; (iv) it would not order our College to pay the outstanding balance of the housing provident fund or impose late fee or penalties on our College for the failure to make the housing provident fund contributions in full for our employees; (v) save for the above non-compliance incident, our College had complied with the laws, regulations, rules and normative documents relating to the housing provident fund and had paid all contributions due to the housing provident fund in full and on a timely basis for our employees; (vi) there was no default, omission or underpayment of contributions to the housing provident fund or other violation of housing provident fund laws and regulations, and there was no investigation or penalty imposed against us by it; and (vii) there was no dispute or litigation against us of which it was aware and it had not received any complaint against us in relation to housing provident fund matters. Our PRC Legal Advisors are of the view that, based on such confirmations, the risk that such center will impose penalties or fines on us as a result of such non-compliance is relatively low.</p>		

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
					<p>Based on the foregoing, our Directors are of the view that the provision made for underpayment of social insurance contributions and housing provident fund contributions is sufficient and the maximum payment amount for outstanding social insurance payments and contributions to the housing provident fund would not have a material adverse impact on our Group. Therefore, 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.</p>	



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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
2.	<p>As of the Latest Practicable Date, we had not obtained land use right certificates or real estate title certificates with respect to three parcels of land used by our College with a gross site area of approximately 124,803.8 sq. m., representing 25.9% of the total land used by our College.</p>	<p>The instances of non-compliance occurred mainly due to the competent authorities were still in the process of completing their internal procedures for granting land use rights, after which we would be able to formally apply for land use rights certificates or real estate title certificates.</p>	<p>According to the relevant provisions in the PRC Law of Land Administration and the PRC Urban and Rural Planning Law, we are required to apply for and obtain land use right certificates or real estate title certificates for all land used by us. As advised by our PRC Legal Advisors, relevant land administration authority may (i) require us to return the improperly occupied land for which we have not obtained land use right certificates, (ii) confiscated the buildings and other facilities on such land; and (iii) impose us a fine of not more than RMB30 per sq. m.</p> <p>In November 2020, with the assistance of our PRC Legal Advisors, we consulted with a staff member of the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局), being the competent land and resources authority regulating our College in respect of land use and planning, as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that, (i) the competent authorities were still in the process of completing their internal procedures for granting land use rights after which we would be able to formally apply for land use rights certificates or real estate title certificates; (ii) our College will not be subject to the above-mentioned administrative penalties; (iii) there is no material impediment for our College to obtain the land use right certificates or real estate title certificates; and (iv) our College will be able to continue to use the land in its current condition and usage.</p>	<p>As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to such three parcels of lands for which we have not obtained land use right certificates or real estate title certificates.</p> <p>As confirmed by our Directors, we are in the process of applying for the land use right certificates or real estate title certificates and are closely following up with the government authorities with respect to our applications. In April, 2021, with the assistance of our PRC Legal Advisors, we consulted with an officer of the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局), being the competent authority regulating our College in respect of land matters, as advised by our PRC Legal Advisors. During such consultation, it was confirmed that our College would have no material legal impediments to obtaining the land use right certificate or real estate title certificate for the relevant land on Longcheng campus, which was expected to be obtained in the first half of 2021. For</p>	<p>Based on our management’s best estimation and with reference to the valuation report as set out in Appendix III in this document, land cost of approximately RMB5.9 million is expected to be incurred if we are required to pay to relevant governmental authority and third-party to obtain the land use rights which are lacking of land use right certificates or real estate title certificates.</p>	<p>(1) as of the Latest Practicable Date, there were 15 buildings with an aggregate gross floor area of approximately 21,792.2 sq. m. on the land on Longcheng campus for which we had not obtained a land use right certificate, including a training center, a staff dormitory, gymnasium, a bathing center, and some ancillary structures, such as a water treatment station and a waste transfer station; (i) for buildings other than the water treatment station and bathing center, we have put in place a contingency plan to the extent we are unable to use this parcel of land and the buildings and ancillary structures thereon. Should the land on Longcheng campus for which we had not obtained a land use right certificate no longer be available for us to use, we have identified alternative buildings on our Longcheng campus and Beige campus for which we have obtained land use right certificates, and where we would be able to renovate and relocate our staff or facilities in order to carry out teaching and other education-related services without incurring material expenses or delay as these alternative buildings on our campuses are currently vacant. In addition, some of the buildings on the land on Longcheng campus were being used for non-essential purposes or activities with no necessity of renovation or relocation; and (ii) for the water treatment station and bathing center, if we are required to demolish and thus cease using these facilities, based on the quotations we obtained from third party agents, we estimate that we would be able to relocate the bathing center and construct a replacement water treatment center within three months at an aggregate cost of approximately RMB1.2 million. Based on the foregoing, our Directors are of the view that there will not be any material adverse impact on our operations should the land on Longcheng campus which we had not obtained land use right certificates is no longer available for us to use;</p>

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
		<p>As advised by our PRC Legal Advisors, we are not permitted to use the two parcels of land on Beige campus before obtaining the land use right certificates or real estate title certificates, and as the two parcels of land on Beige campus had not be put into use as of the Latest Practicable Date, no fine or other penalties would be imposed on us. We estimate that the potential maximum penalty for using the parcel of land on Longcheng campus without obtaining the land use right certificate or real estate title certificate is approximately RMB2.6 million.</p>	<p>Our PRC Legal Advisors are of the view that based on such confirmations, (i) as to the two parcels of land for which we have not obtained land use right certificates or real estate title certificates and on which we have not built any buildings, after obtaining relevant land use right certificates or real estate title certificates, our College will be able to independently occupy and use such land in accordance with the stipulated use pursuant to the respective land use right certificates or real estate title certificates; (ii) as to the parcel of land for which we have not obtained the land use right certificates or real estate title certificates and on which we have built buildings, the risk that such bureau will require us to return such land, confiscate the buildings and other facilities on such land, or take actions to impose penalties or fines on us as a result of such usage is relatively low, and after obtaining relevant land use right certificates or real estate title certificates, our College will be able to independently occupy and use such land in accordance with the stipulated use pursuant to their respective land use right certificates or real estate title certificates; and (iii) our College may obtain the land use right certificates or real estate title certificates after changing the land usage to science and education purposes, settling compensation due to the village collective, converting the land to state-owned land, subject to the ultimate discretion of the relevant land administrative department.</p>	<p>the two parcels of land on Beige campus, according to our consultation with the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局) conducted on April 14, 2020, as the relevant government authority was still in the process of completing its initial internal procedures, which mainly includes changing the land usage to science and education purposes, the expected timeline for obtaining the outstanding land use right certificates or real estate title certificates was not certain as of the Latest Practicable Date. It was also confirmed that the expected completion time for changing the land usage remained uncertain and such procedure is lengthy since it involves the change of the land usage and requires coordination with various governmental departments and stakeholders. Based on the best knowledge of our Directors, such internal procedures are particularly lengthy due to the fact that in the past decade, the local government has made several revisions to urban development plans of the area where the two parcels of land were located which made it difficult for the relevant governmental departments to determine the land usage of the two parcels of land. These two parcels of land are not planned for future use and are of immaterial importance to our business development.</p>		<p>(2) we have enhanced our policies and procedures relating to construction management to clearly define the procedures for obtaining and maintaining relevant permits and documents throughout the construction process. We also plan to engage legal advisors to provide internal control training with respect to compliance with applicable laws and regulations relating to property-related laws and regulatory requirements; and</p> <p>(3) our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses which may be incurred by us arising from such non-compliance incidents.</p>

**BUSINESS**

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
3.	<p>During the Track Record Period, in January 2019, our College was subject to administrative penalties imposed by the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局) in connection with occupying collective land which was designated as land for construction with total gross floor area of 1,344.24 sq. m. without governmental approval.</p>	<p>The non-compliance occurred mainly due to administrative oversight and our staff being unfamiliar with property-related laws and regulatory requirements. Relevant staff in our infrastructure office only obtained verbal confirmation from the person in charge of municipal construction who did not have authority to provide such confirmation for the use of the property before the commencement of construction on the subject land.</p>	<p>Our College was ordered to return the occupied land and the buildings and/or any ancillary structures improperly built on the land were ordered to be confiscated. The aggregate administrative penalties amounted to approximately RMB40,527.</p> <p>In April 2021, with the assistance of our PRC Legal Advisors, we consulted with an officer of the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局), being the competent land and resources authority regulating our College in respect of land use and planning, as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that our College does not have ongoing or potential disputes or disputes related to land management, and is not subject to investigations or administrative penalties in violation of national and local land management laws, regulations, rules or relevant provisions.</p>	<p>As of the Latest Practicable Date, we had fully settled these administrative penalties and had returned the improperly occupied land.</p>	<p>Our Directors consider that the non-compliance issue will not have any material adverse effect on our operations.</p>	<p>We have adopted the following internal control measures to mitigate the risk of any future recurrence of such non-compliance: (i) we have appointed Mr. Zhang Zhiwei (張志偉), our risk management controller, to supervise and monitor our use of land and related activities; (ii) we have engaged an independent business consulting and internal audit firm (the “Internal Control Consultant”) and PRC Legal Advisors to provide internal control training in respect of the compliance with applicable laws and regulations to our Directors and senior management and will provide annual training sessions relating to property-related laws and regulatory requirements to relevant employees in our infrastructure office; all relevant staff will be made aware that no commencement of construction is permitted before actually obtaining the required approvals and we will notify all relevant staff the status of all required approvals on a regular basis; and (iii) we have established a certificate management procedure setting out detailed steps to facilitate our staff to ensure that we obtain and update certificates in a timely and comprehensive manner. We will consult with relevant governing authorities and obtain required approvals before the commencement of any construction work.</p>
			<p>In October 2020, with the assistance of our PRC Legal Advisors, we consulted with a deputy director of the Bureau of Natural Resources of Xiaodian District, Taiyuan City (太原市小店區自然資源局). During such consultation, it was verbally confirmed that this matter has been fully settled and we will not be imposed penalties or fines for the same subject matter.</p>			
			<p>As advised by our PRC Legal Advisors, the Bureau of Natural Resources of Xiaodian District is the competent authority to provide such regulatory confirmation as (i) the Bureau of Natural Resources of Xiaodian District is responsible for the supervision and management of natural resources in Xiaodian District, in which our College is located; (ii) such bureau confirmed that our College had paid the fines on time and had returned the improperly occupied land; and (iii) pursuant to the Law of the People’s Republic of China on Administrative Penalties, repeated administrative penalties shall not be imposed on parties who commit the same unlawful act more than once since our College had been subject to administrative penalties imposed by the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局).</p>			

**BUSINESS**

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
4.	<p>As of the Latest Practicable Date, all of the buildings in which we held interests and our construction work on Longcheng campus and Beige campus had certain defects, as follows:</p> <p>(1) 33 buildings on our Longcheng campus with an aggregate gross floor area of approximately 67,260.1 sq. m. and all 29 buildings with an aggregate gross floor area of approximately 176,893.0 sq. m. on our Beige campus did not possess real estate title certificates or buildings ownership certificates. Among them, (i) one had commenced construction not in accordance with the construction planning permit subsequent to obtaining such and had commenced construction without obtaining the construction commencement permit; (ii) five had not completed fire control design and inspection before commencement of construction; (iii) 18 had not completed fire control inspection and acceptance before putting them into use; (iv) seven had not completed construction project completion acceptance check before being put into use; (v) 11 had not filed the requisite construction project completion acceptance check; and (vi) 30 buildings on Longcheng campus and 14 buildings on Beige campus that had also failed to perform any of the required construction project approval procedures, including commencing construction without obtaining the construction planning permit, commencing construction without obtaining the construction commencement permit, not completing fire control design and inspection before commencement of construction, and not completing fire control inspection and acceptance before putting them into use. Among the 44 buildings, 43 also had not completed construction project completion acceptance checks before being put into use, and one also had not filed the required construction project completion acceptance check;</p>	<p>We had not obtained real estate title certificates or building ownership certificates with respect to such buildings, primarily due to delays in the relevant fire control design and inspection, fire control inspection and acceptance, construction project completion acceptance check, or environmental protection inspection and acceptance check, all of which are prerequisites for applying for real estate title certificates or building ownership certificates.</p> <p>These property-related non-compliance incidents were mainly due to administrative oversight; our staff were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and our relevant staff did not seek proper advice from external advisers or our management team.</p>	<p>As advised by our PRC Legal Advisors, we may be subject to the following fines and/or penalties in connection with the non-compliances:</p> <ul style="list-style-type: none"> <li>for construction work that is carried out without a construction planning permit, the license issuing authority with jurisdiction shall order the construction to be ceased, and (i) we may be subject to a fine ranging from 5% to 10% of the construction cost and ordered to rectify the impact on the planning caused by such construction, if such impact can be rectified; or (ii) we may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction, if such impact cannot be rectified and the building cannot be demolished;</li> <li>for construction work that is carried out without a construction commencement 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;</li> <li>for buildings that were constructed without passing fire control design and inspection before commencement of construction, we are subject to the risk of being prohibited from using these buildings or of being ordered to close our business relevant to the affected buildings and being fined between RMB30,000 and RMB500,000 for each building;</li> <li>for buildings that were put into use without passing the fire control inspection and acceptance, we are subject to the risk of being prohibited from using these buildings or being ordered to close our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 for each building;</li> </ul>	<p>As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us in relation to these buildings and construction work.</p> <p>For buildings that have completed fire control design and inspection, we expect to complete fire control inspection and acceptance by the end of the third quarter of 2021.</p> <p>For buildings that have not completed fire control design, we expect to submit our fire control design by the end of the third quarter of 2021 and proceed to complete the inspection of fire control design and fire control inspection and acceptance procedures after submission following the inspection schedules of relevant government authority.</p>	<p>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 are of the view that the safety conditions of such buildings are sound.</p>	<p>(1) we have engaged two third-party engineering companies to carry out fire control related maintenance and renovation work to ensure that the buildings meet the relevant fire control standards. Based on the qualifications and licenses of the third-party engineering companies, our Directors are of the view that the third party agencies are competent and qualified to provide such assurance. We inspect and maintain the properties on a regular basis with a view to ensuring satisfactory safety and fire control conditions. Based on the safety and fire control records and the measures that we have taken, we believe the buildings are fit and safe for education purposes;</p> <p>(2) it normally takes approximately 10 months to complete the self-conducted environmental protection inspections and acceptance checks, which includes carrying out self-inspection and improvement work as required, preparation of the acceptance report, engaging relevant qualified expert to verify and accept the inspection work and publicizing the results of the inspections and acceptance checks. Pursuant to the Notice, for the 2019/2020 school year, our College was unable to timely open its campuses for the spring semester of 2020 as previously scheduled. Thus, we started our self-inspection and improvement work in the 2020/2021 school year. We have engaged a qualified independent environmental inspection and acceptance check company to conduct the verification and acceptance check in March 2021 as some of the tests can only be performed when our campuses are open and our students are on campus. We expect to complete the self-conducted environmental protection inspections and acceptance checks by the end of 2021.</p>

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
(2)	three buildings on our Longcheng campus had not completed fire control design and inspection before commencement of construction;	Non-compliance	<ul style="list-style-type: none"> <li>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;</li> </ul>			<p>(3) we have adopted the following internal control measures to mitigate the risk of any future recurrence of such non-compliance: (i) we have appointed our Mr. Zhang Zhiwei (張志偉), our risk management controller, to supervise and monitor our property related activities; (ii) we have engaged Internal Control Consultant and PRC Legal Advisors and have provided internal control training in respect of the compliance with applicable laws and regulations, in particular, laws and regulatory requirements relating to property-related matters to our Directors and senior management and to provide continuing regular training sessions to our Directors, senior management and relevant employees in our infrastructure office; and (iii) we formulated environmental protection compliance policies and designated our infrastructure office to prepare for environmental impact assessment report on time to ensure our compliance with environmental protection laws and regulations.</p>
(4)	our construction work on Beige campus is required to, but as of the Latest Practicable Date had failed to, complete environmental protection inspection and acceptance checks before being put into use.	Non-compliance	<ul style="list-style-type: none"> <li>for construction projects for which we did not file construction project completion acceptance check, we may be ordered to rectify and may be subject to a fine between RMB200,000 and RMB500,000 for each building; and</li> <li>for construction project that were put into use without passing environmental protection inspection and acceptance check, we are subject to the risk of being required to adopt remedial measures within certain period with a fine between RMB200,000 and RMB1,000,000 or being fined between RMB1,000,000 and RMB2,000,000 for failure to adopt remedial measures within certain period.</li> </ul> <p>We estimate that the potential maximum penalty for the non-compliance incidents relating to our buildings is approximately RMB74.1 million.</p>			<p>(4) we are in the process of fulfilling the assessment procedures for the relevant inspections and applying to the relevant government authorities for the outstanding certificates and permits, and are closely following up with the government authorities with respect to our applications; and</p>
(5)		Non-compliance				<p>(5) our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses which may be incurred by us arising from such non-compliance incidents.</p>

**BUSINESS**

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
			<p>With a view to understanding the consequences of the failure to obtain construction planning permits and commencement of construction not in accordance with the construction planning permit, in October 2020, with the assistance of our PRC Legal Advisors, we consulted with a deputy chief of the Xiaodian Planning and Supervision Division of the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局小店規劃督察組), being the competent authority regulating our College, as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that, (i) since our construction work complied with the overall planning approved by the government, our College will not be subject to above-mentioned administrative penalties; (ii) subject to comply with the overall planning approved by the government, there are no impediments for our College to obtain the relevant construction planning permits; and (iii) our College had not been imposed any administrative penalties or fines for any violation of rural-urban planning related laws and regulations, or had disputes with such division, or had actual or contemplated actions, claims or reports filed against us with respect to rural-urban planning related issues. Our PRC Legal Advisors are of the view that based on such confirmations the risk that such division will order such buildings be demolished or take actions to impose penalties or fines on us as a result of such non-compliance is relatively low.</p>			

**BUSINESS**

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
			<p>With a view to understanding the consequences of the failure to obtain construction commencement permits, pass the construction project completion acceptance check and/or file construction project completion acceptance check, in October 2020, with the assistance of our PRC Legal Advisors, we consulted with a staff member of the Department of Housing and Urban-Rural Construction of Shanxi Province (山西省住房和城乡建设廳), being the competent housing and construction authority regulating our College as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that: (i) our College is unlikely to be subject to administrative penalties; and (ii) our College can continue using the relevant buildings in their current condition provided that such buildings satisfied relevant quality control and safety requirements. Our PRC Legal Advisors are of the view that based on such confirmations, the risk that such department will impose penalties or fines on us as a result of such non-compliance is relatively low.</p>			

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
			<p>With a view to understanding the consequences of the failure to pass fire control design and inspection before commencement of construction and/or pass the fire control inspection and acceptance before buildings were put into use, in November 2020, with the assistance of our PRC Legal Advisors, we consulted with a staff member of the Fire Control and Rescue Division of Xiaodian District, Taiyuan City (太原市小店區消防救護大隊), being the competent fire control and safety authority regulating the buildings of our College, as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that, (i) since we are in the process of applying for fire control design and inspection and fire control inspection and acceptance, our College will not be subject to above-mentioned administrative penalties; (ii) our College can continue using the relevant buildings in their current condition; and (iii) no administrative penalties or fines for any violation of fire control related laws and regulations had been imposed on our Colleges, we had no disputes with such division, no actual or contemplated actions, claims or reports had been filed against us with respect to fire control and safety related issues, and no fire control or safety incidents had occurred on our campuses. In January 2021, with the assistance of our PRC Legal Advisors, we consulted with a staff member of the Bureau of Administrative Approval Service Administration of Taiyuan City (太原市政審批服務管理局), being the competent authority regulating our College with regard to fire control as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that, there is no foreseeable impediment for our College to passing fire control design and inspection and fire control inspection and acceptance.</p>			



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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
			<p>Our PRC Legal Advisors are of the view that based on such confirmations, (i) our College can continue using the relevant buildings in the current condition; (ii) the risk that such division will prohibit us from using these buildings or close our business due to such non-compliance, or impose penalties or fines on us as a result of such non-compliance is relatively low; and (iii) there are no material legal impediments for our College to make remedial applications for such non-compliance, and subject to the direction of the competent authority, our College may pass such inspections and acceptance after submitting qualified application documents and passing the on-site completion inspection by the local governmental authorities.</p> <p>With a view to understanding the consequences of the failure to complete environmental protection inspection and acceptance checks before being put into use, in October 2020, with the assistance of our PRC Legal Advisors, we consulted with a staff member of the Environmental Supervision Division of Bureau of Ecological Environment Taiyuan City, Xiaodian Branch (太原市生態環境局小店分局 環境監察大隊), being the competent environmental authority regulating the construction projects of our College, as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that, (i) environmental protection inspection and acceptance check requirement has been changed into self-conducted acceptance and publicity, therefore, for those who failed to complete environmental protection inspection and acceptance check but managed to complete self-conducted acceptance and publicity within certain period will not be subject to above-mentioned administrative penalties; and (ii) our College had not been punished for any violation of environmental protection laws and regulations, or had been subject to any form of environmental protection investigation, or had disputes, complaints or reports filed against our College regarding compliance with environmental protection laws and regulations.</p>			

**BUSINESS**

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
			<p>Our PRC Legal Advisors are of the view that based on such confirmations, our College might be ordered to complete self-conducted environmental protection inspection and acceptance check within certain period, and provided that our College completed self-conducted environmental protection inspection and acceptance check within certain period, the risk that such bureau will impose penalties or fines on us as a result of such non-compliance is relatively low.</p>			

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No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
5.	<p>During the Track Record Period, our College did not comply with the Monitoring Indicators under the Conditions in relation to the ratio of school site area to the number of students enrolled. Pursuant to the Conditions, the ratio of our College's site area to the number of students enrolled should be not less than 54 sq.m. per student enrolled. The ratio of our College's site area to the number of students enrolled was 27.8 sq.m. per student, 28.5 sq.m. per student, 28.8 sq.m. per student and 27.9 sq.m. per student for the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, respectively.</p>	<p>Land used for our College is expected to be acquired through land allocation. Land allocation is subject to land allocation plans and approvals of the local government which is beyond our control.</p>	<p>As advised by our PRC Legal Advisor, there is no provision under the Conditions stipulating that a breach of the Monitoring Indicator is subject to any legal consequences.</p> <p>In November 2020, with the assistance of our PRC Legal Advisors, we consulted with a deputy chief of the Department of Education of Shanxi Province, being the competent and responsible authority for supervising our College in relation to such subject matter, as advised by our PRC Legal Advisors. During the consultation, it was verbally confirmed that our College has passed each of the annual inspections conducted by the Department of Education of Shanxi Province which reflects our compliance with the relevant indicators. Such department further confirmed that the non-compliance with Monitoring Indicators with respect to the ratio between site area and number of students will not be considered as material non-compliance or subject our College to any penalties or result in restrictions and/or suspensions on student enrollment or negative effects on the regular operation of our College. Thus, we do not expect there will be any legal consequences for not meeting the Monitoring Indicator.</p> <p>Based on the foregoing, our PRC Legal Advisors are of the view that the risk prescribed that our College will be penalized by the Department of Education of Shanxi Province for failing to comply with the prescribed ratio between the school site area of our College and its number of full-time students enrolled is relatively low.</p>	<p>As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us in relation to the non-compliance.</p>	<p>Such non-compliance is not uncommon among private higher education institutions in the PRC and is not considered as material non-compliance or subject the institutions to any legal consequences by the relevant government authorities.</p> <p>Our Directors consider that the non-compliance issue will not have any material adverse effect on our operations.</p>	<p>(1) we will continue to monitor the situation and will purchase additional land to the extent this becomes required by the relevant government authorities; and</p> <p>(2) our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses which may be incurred by us arising from such non-compliance incidents.</p>

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As advised by our PRC Legal Advisors, the Basic Indicators are categorized into "Qualified Indicators" (which are suggested aspirational standards) and "Restrictive Indicators" (which are suggested minimum requirements) under the Conditions. The failure to comply with the Qualified Indicators constitutes an instance of non-compliance. However, there is no provision under the Conditions stipulating that schools which fail to meet the Qualified Indicators while have met the Restrictive Indicators are subject to any legal consequences. During the Track Record Period, under the calculation method contained in the Conditions, our College did not comply with the Qualified Indicators in relation to the teacher-to-student ratio. See "— Our Teachers" in this document for further details. During the Track Record Period, our College did not comply with the Qualified Indicators in relation to the ratio of teaching and administrative building area to the number of students enrolled. See "— Properties — Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled" in this document for further details.

We have engaged our Internal Control Consultant who has carried out a review of the remedial internal control measures taken by us to prevent future occurrence of similar non-compliance incidents. To prevent future non-compliance incidents, we adopted remedial internal control measures with regard to each type of non-compliance incident. Please see "Legal Proceedings and Non-compliance" in this section for further details. We have implemented all major internal control measures recommended by our Internal Control Consultant to prevent future non-compliance incidents as described above.

In order to ensure that we maintain sound and effective internal control, we have set up comprehensive internal control and risk management. Please see "Internal Control and Risk Management" in this section for further details. To prevent future non-compliance with laws or regulations, we have provided and will continue to provide regular trainings on internal policies with respect to key operational aspects to our Directors, senior management and key personnel to further enhance the effectiveness of our internal control procedures.

On the basis that (i) we have paid the relevant penalties, where applicable, in full; (ii) we have obtained confirmations from the relevant government authorities or had been advised by our PRC Legal Advisors that pursuant to the relevant applicable regulations that, the relevant non-compliance incidents are immaterial or have been rectified; (iii) our PRC Legal Advisors are of the view that the risks that we will be subject to further administrative penalties for such non-compliance incidents by relevant governmental authorities which impose penalties are low; and (iv) we have engaged the Internal Control Consultant to carry out a review on our internal control measures to ensure ongoing compliance, our Directors are of the view that none of the incidents of non-compliance, individually or in the aggregate, have had or are reasonably likely to have in the future a material financial or operational impact on our Company or are fundamental to the daily operations of our College and view each to be an immaterial incident of non-compliance.

**BUSINESS**

**INTERNAL CONTROL AND RISK MANAGEMENT**

**Internal Control**

We have engaged Internal Control Consultant to conduct an evaluation of our internal control system in connection with the [REDACTED]. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in September 2018 and June 2020 and provided a number of findings and recommendations in its report. The following table sets forth the major findings in the internal control review in September 2018 and June 2020.

<b>No.</b>	<b>Internal Control Process</b>	<b>Major findings</b>	<b>Rectification Actions</b>
1.	Corporate Governance	Lack of internal control policies on corporate governance, including setting up a risk management team, risk management system and risk assessment process to comply with the Listing Rules.	We have established a risk management team and formulated polices for risk management, including risk identification, risk assessment and risk response. We have also established an audit committee, a remuneration committee and a nominating committee to comply with the Listing Rules.
2.	Supplier Management	Lack of internal control measures on supplier management, including the procedures of supplier selection, exit and evaluation.	We have formulated new polices and procedures for supplier management including establishment of procedures on open tenders, price comparison, formulating a list of approved suppliers in relation to supplier selection, regular updates of approved list of suppliers according to respective suppliers' qualifications, and review of financial status and quality of products/services suppliers in relation to supplier exit and evaluation.
3.	Assets Management	Lack of internal control measures on fixed assets management, including pasting labels on fixed assets, conducting annual count of fixed assets, impairment test and construction management	We have formulated polices and procedures for fixed assets management including establishment of a labeling system for all fixed assets, maintenance of a fixed assets register and conducting of regular fixed assets impairment testing. We have also enhanced our policies and procedures relating to construction management to clearly define the procedures for obtaining and maintaining relevant permits and documents throughout the construction process. We also plan to engage PRC legal advisors to provide an internal control training session by the end of the 2021 in respect of the compliance with applicable laws and regulations relating to property-related laws and regulatory requirements. Such training will be provided on an annual basis.

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<b>No.</b>	<b>Internal Control Process</b>	<b>Major findings</b>	<b>Rectification Actions</b>
4.	Financial Management	Lack of financial management system, covering financial budgeting, finance planning, project approval, use of funds and monthly closing.	We have established a financial management system, which includes detailed provisions on the implementation procedures and approval processes in the areas of financial budgeting, finance planning, financial contracts, fund use and monthly account closing.
5.	Investment management	Lack of internal policies for investment management, including due diligence of potential investment target, investment monitoring and post-assessment of investment project.	We have formulated polices and processes for investment management covering due diligence procedures on investment target, approval process prior to investment, management of investment contracts, and regular assessment after investment. For details of our investment policy and relevant standard procedures for evaluating and monitoring our investment projects, please refer to the section headed “Financial Information — Our Treasury and Investment Policy” and “Financial Information — Key Components of Our Results of Operations — Other Expenses” in this document.

Our Internal Control Consultant recommended that we establish internal control policies to ensure our compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Listing Rules. In addition, our Internal Control Consultant recommended that we improve and optimize our internal control policies and ensure proper implementation of these policies, including supplier management, assets management, financial management and investment management. We have subsequently taken remedial actions in response to such findings and recommendations.

We have established internal control measures and our College 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 College) 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. Zhang Zhiwei (張志偉) is responsible for ensuring our overall on-going compliance.

## BUSINESS

### Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in the regulatory environment in the PRC private higher education industry, our ability to offer quality education to our students, our ability to increase student enrollment and/or raising tuition rates, our potential expansion, and competition from other university operators that offer similar or higher quality of educational services in Shanxi Province and adjacent provinces. Please refer to the section headed “Risk Factors” in this document for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see “Financial Information — Quantitative and Qualitative Disclosures about Market Risk” in this document.

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 College, 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 business operation into new geographic areas, to raise our tuition, and to enter into cooperative business relationships with third parties to launch new education programs. In addition, the Board also appointed Mr. Zhang Zhiwei (張志偉) as the risk management controller of our Group, responsible for daily management and monitor of daily operation risks and execution of significant business decision involving material risk exposures;
- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance; and
- we embed a culture of compliance in the daily work routine of our employees through regular risk management and compliance trainings, and set various expectations for our employees’ work performances in term of compliance.