

## INDUSTRY OVERVIEW

*This and other sections of this document contain information relating to and statistics on the PRC economy and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan (the “Frost & Sullivan Report”), an Independent Third Party which we commissioned. We believe that the sources of such information and statistics are appropriate sources and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information and statistics have not been independently verified by us, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED] (other than Frost & Sullivan) and no representation is given as to its accuracy. Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.*

### SOURCE OF INFORMATION

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

Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have contracted to pay a fee of RMB910,000 for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this document and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary research which involves discussions of industry status with leading industry participants and industry experts, and secondary research which involves the review of company reports, independent research reports and data from Frost & Sullivan’s own research database. The Frost & Sullivan Report was compiled based on the following assumptions: (i) China’s economy is likely to maintain steady growth in the forecast period; (ii) China’s social, economic, and political environment is likely to remain stable in the forecast period; and (iii) related industry key drivers such as Chinese households’ growing wealth and their increasing awareness of the importance of children’s education, support from central and local governments, improved investment in private education and an increase in household income and wealth are likely to drive the market over the forecast period from 2020 to 2024. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry analysis by Frost & Sullivan.

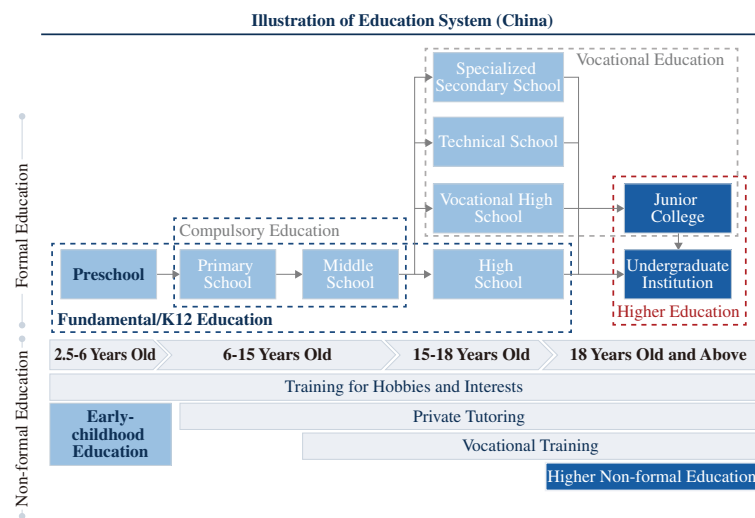
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Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there is no adverse change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

### OVERVIEW OF THE EDUCATION SYSTEM IN CHINA

#### Overview

In general, China’s regular education system can be categorized into formal and non-formal education. Formal education comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be provided by either junior college or university. The formal education system provides students with the opportunity to obtain official certificates from the PRC government, whereas the non-formal education system merely enables students to obtain completion certificates for the training and learning courses they have taken, which are not officially recognized by the PRC government. The following chart illustrates the education system in China.



Source: Frost & Sullivan

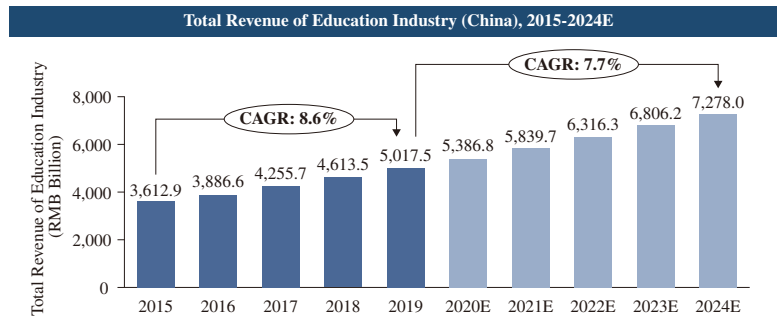
Note:

1. Within formal education system, the overview only covers regular formal education, while adult education, which belongs to formal education according to MOE’s classification, is not specifically covered.
2. Undergraduate institution refers to the institution provide bachelor’s or higher degrees as well as junior college diplomas, including university/college and independent college.

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### Market Size

China’s education industry has experienced steady growth over the past five years, which was mainly driven by rising government public expenditure and private consumption. According to the MOE, the total revenue of China’s education industry increased from RMB3,612.9 billion in 2015 to RMB5,017.5 billion in 2019, representing a CAGR of 8.6%. According to the Frost & Sullivan Report, total revenue of China’s education industry is expected to further increase to RMB7,278.0 billion in 2024, representing a CAGR of 7.7% from 2019 to 2024. The following chart shows the historical and projected total revenue for China’s education industry from 2015 to 2024:



Source: MOE, Frost & Sullivan

Generally speaking, public expenditure refers to the government’s investment in education. According to the National Bureau of Statistics of China and MOE, China’s total public expenditure on education reached RMB4,004.9 billion in 2019, accounting for approximately 79.8% of the total revenue generated by the PRC formal education industry. While the PRC government has continued to increase its budget on education, compared with developed countries, China still lagged behind as of 2019 in terms of public expenditure on education as percent of GDP. For example, China’s public expenditure on education in 2019 was approximately 4.0% of its GDP, which was less than that of the United States (5.0%), France (5.5%) and United Kingdom (5.5%), according to the Frost & Sullivan Report. Going forward, the PRC government is expected to further strengthen its investment in education.

Despite increasing public expenditure on education, the Chinese per capita annual expenditure on education increasing from RMB718 in 2015 to RMB1,018 in 2019, representing a CAGR of 9.1%, which was associated with the increasing annual disposable income of urban households in China. Looking forward, with the increasing wealth of Chinese households and continued focus of Chinese parents on their children’s education, the per capita annual expenditure on education is likely to reach RMB1,483 by 2024, representing a CAGR of 7.8% from 2019 to 2024, according to the Frost & Sullivan Report.

### Development Trends

According to the Frost & Sullivan Report, the education industry in China is likely to continue to grow in the future as a result of a number of trends including:

- Higher per capita expenditure on education driven by an increase in annual disposable income for urban households and the ready willingness of parents in China to pay for their children’s education.

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- Rising demand for education as the school-age population grows: The One-Child Policy has been relaxed and the Two-Child Policy was implemented in 2015, which led to an increase in the crude birth rate in China from 2010 to 2016. However, according to National Bureau of Statistics of China, the birth rate decreased from 2017 to 2019 due to the fall in the number of women of childbearing age and lower desire of giving birth. According to the Frost & Sullivan Report, the decline in the birth rate will begin to show on the preschool-age population in 2019 and on higher education age groups in later years, but the overall growth of the school-age population will likely continue to drive China’s overall education market to grow in the forecast period. In addition, according to the Decision on Optimizing Fertility Policy to Promote Long-term and Balanced Development of Population (關於優化生育政策促進人口長期均衡發展的決定) (the “**Decision**”) as announced and submitted for deliberation on May 31, 2021, it is set out that the government proposed to further optimize childbirth policy and implement the policy that a couple can have up to three children. As of the Latest Practicable Date, the Decision has not been officially adopted and there is no specific timeline for the implementation of the Three-Child Policy. The Three-Child Policy has yet to be implemented in the relevant PRC laws, mainly including the Population and Family Planning Law of the People’s Republic of China (中華人民共和國人口和計劃生育法) which is pending approval from the Standing Committee of the NPC. Pursuant to the government press conference with the National Health Committee of the PRC on optimizing fertility policy and improve the population structure (優化生育政策，改善人口結構 — 國家衛生健康委有關負責人就實施三孩生育政策答新華社記者問) (the “**Press Conference**”), the Three-Child Policy is expected to be a timely and effective step to, among others, (i) slow down the decline in the birth rate; (ii) improve the demographic structure; (iii) address the challenge of a rapidly aging population; and (iv) increase the supply of a new labor force in the PRC. According to the Press Conference, proposed supportive measures for the Three-Child Policy which have not yet been officially introduced may include measures such as improving prenatal and postnatal care services, developing a universal childcare service system, reducing family spending on education, strengthening tax and housing support, and safeguarding the lawful rights and interests of working women. The Three-Child Policy has no direct impact on the higher education industry in the forecast period. However, it is expected to increase the school-age population for higher education over the next 20 years, which is expected to drive the demand for the higher education industry in the long run.
- Governmental support, including promulgation of policies favorable to the development of education in China and a national development plan, the “National Medium-to-Long Term Educational Reform and Development Plan”, pursuant to which the government will continue to increase financial investment in education and encourage both public and private education in the near future. The PRC central government is likely to welcome more private capital in the educational system to achieve more efficiency. Large-scale private education groups likely being favored according to the Frost & Sullivan Report.

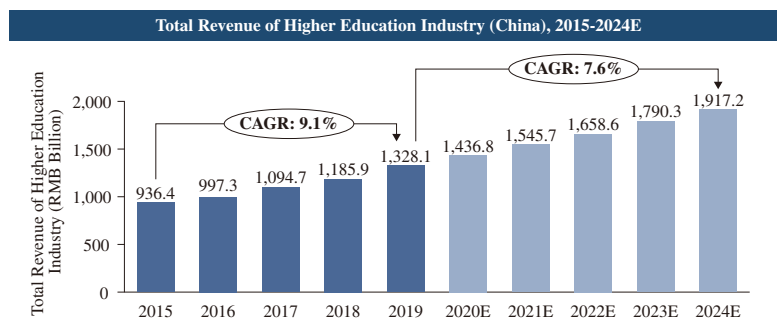
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### OVERVIEW OF THE HIGHER EDUCATION INDUSTRY IN CHINA

Higher education institutions in China can be divided into public higher education institutions, which are higher education institutions established and operated by the PRC national or local governments, and private higher education institutions, which normally are established by individuals or private entities. The majority of the funding for public higher education institutions is sourced from the government appropriation with only a minor part of funding coming from tuition and other miscellaneous fees. In contrast, the major source of funding for private higher education institutions comes from income from school operation, such as tuition and other miscellaneous fees.

#### Market Size

China’s higher education industry has experienced steady growth over the past five years. According to the National Bureau of Statistics of China and MOE, the total revenue of China’s higher education industry increased from RMB936.4 billion in 2015 to RMB1,328.1 billion in 2019, representing a CAGR of 9.1%. According to the Frost & Sullivan Report, the total revenue for China’s higher education industry is expected to continue to increase to reach RMB1,917.2 billion in 2024, representing a CAGR of 7.6% from 2019 to 2024. The following chart shows historical and projected total revenue for China’s higher education industry from 2015 to 2024:



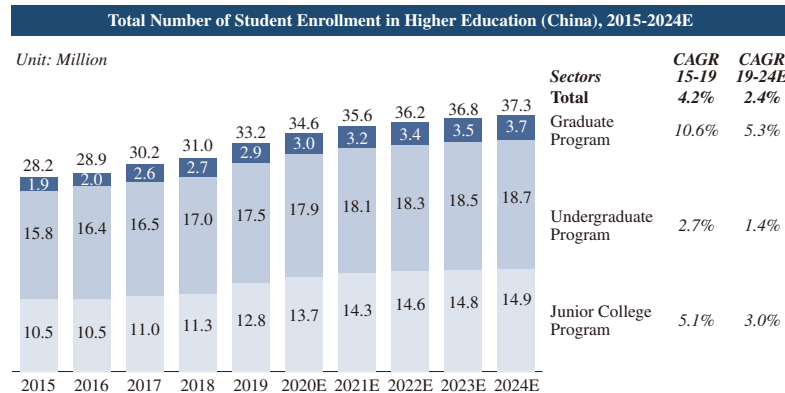
Source: MOE, Frost & Sullivan

According to the Frost & Sullivan Report, total revenue for the PRC higher education industry is calculated by aggregating (i) the total PRC government public expenditure allocated to schools in the PRC higher education industry by the central government and local governments, (ii) funding provided to private schools by private investors, (iii) revenue generated from donations received and fundraising by schools, (iv) revenue generated by schools from teaching, research and other activities (such as tuition and revenue from school-run businesses), and (v) other educational funding or school revenue. PRC government public expenditure contributes the majority of the total revenue of the higher education industry particularly for public institutions, with the amount of the total PRC government public expenditure allocated to public schools being significantly higher than that allocated to private schools. In 2019, revenue generated by schools from tuition fees representing approximately 75% of the total revenue for the private higher education industry, while it only represented approximately 15% of the total revenue for the public higher education industry. As a result, after taking into account other factors affecting the total revenue of the PRC higher education industry, private higher education only contributed approximately 10% of the total revenue for the overall higher education industry in China in 2019, despite the fact that it represented approximately 20% of total student enrollment.

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### Student Enrollment and Number of Graduates

Student enrollment in higher education institutions in China has grown steadily over the past five years. According to the Frost & Sullivan Report, student enrollment in higher education institutions in China increased from 28.2 million in 2015 to 33.2 million in 2019, representing a CAGR of approximately 4.2% and is expected to further increase to 37.3 million in 2024, representing a CAGR of approximately 2.4% from 2019 to 2024. The following chart shows the historical and projected total student enrollment in China’s higher education industry from 2015 to 2024:



Source: MOE, Frost & Sullivan

This growth represents an increase in enrollment rate, defined as number of students enrolled as a percentage of the total relevant school-age population, in higher education in China from 40.0% in 2015 to 51.6% in 2019. Despite recent growth, the enrollment rate for higher education in China still lags significantly behind those in developed countries in North America and Europe. Enrollment rates in 2019 for higher education in the United States, France and the United Kingdom were 88.2%, 65.6% and 60.0%, respectively. According to the Frost & Sullivan Report, the enrollment rate of higher education in China is expected to continue rising and reach 60.3% in 2024.

According to the Frost & Sullivan Report, undergraduate programs account for the largest percentage of students enrolled in higher education in China, accounting for 17.5 million students, or 52.8% of the total student population in 2019.

The increase in student enrollment and enrollment rates in higher education institutions in China has also been reflected in an increasing number of graduating students from these institutions. According to the Frost & Sullivan Report, the total number of graduates from higher education institutions in China has grown steadily from 7.4 million in 2015 to 8.7 million in 2019.

### OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

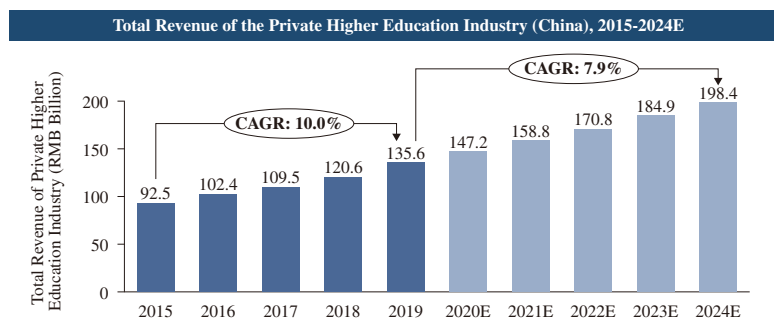
The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as relevant government authorities made great efforts to develop the regulatory framework for private higher education, according to the Frost & Sullivan Report. Private institutions of higher education in China include private regular junior colleges (民辦普通專科學院), which provide junior

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college diplomas to graduating students, private regular universities or colleges (民辦普通大學或學院), which in addition to junior college diplomas can also provide bachelor’s or higher degrees to graduating students and independent colleges (獨立學院), which though run by non-governmental institutions or individuals, cooperate with public universities and colleges offering undergraduate courses.

### Market Size

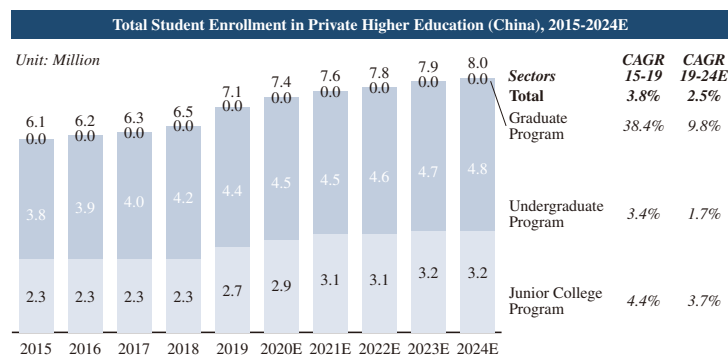
According to the Frost & Sullivan Report, total revenue for the private higher education industry has been increasing steadily from RMB92.5 billion in 2015 to RMB135.6 billion in 2019, representing a CAGR of 10.0%, and is expected to continue to increase to RMB198.4 billion in 2024, representing a CAGR of 7.9% from 2019 to 2024. The following chart illustrates the historical and projected total revenue for China’s private higher education industry from 2015 to 2024:



Source: MOE, Frost & Sullivan

### Student Enrollment

According to the Frost & Sullivan Report, total student enrollment in private higher education in China increased from 6.1 million in 2015 to 7.1 million in 2019, representing a CAGR of 3.8%, and is expected to continue to increase to reach 8.0 million in 2024, representing a CAGR of 2.5% from 2019 to 2024. The following chart shows historical and projected total student enrollment in China’s private higher education industry from 2015 to 2024:

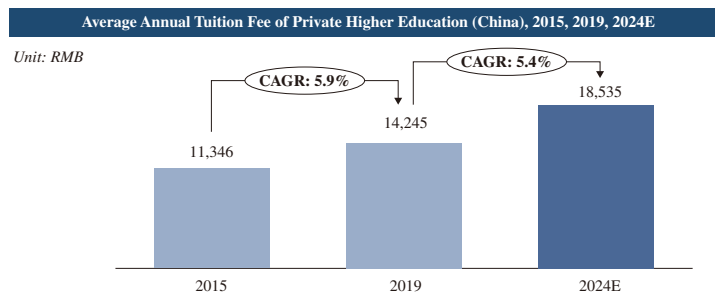


Source: MOE, Frost & Sullivan

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### Tuition Fees

According to the Frost & Sullivan Report, average annual tuition fee for private higher education in China increased from RMB11,346 in 2015 to RMB14,245 in 2019 representing a CAGR of 5.9%, and is expected to increase to RMB18,535 in 2024, representing a CAGR of approximately 5.4% from 2019 to 2024. The following chart illustrates historical and projected average annual tuition fees for the private higher education in China from 2015 to 2024:

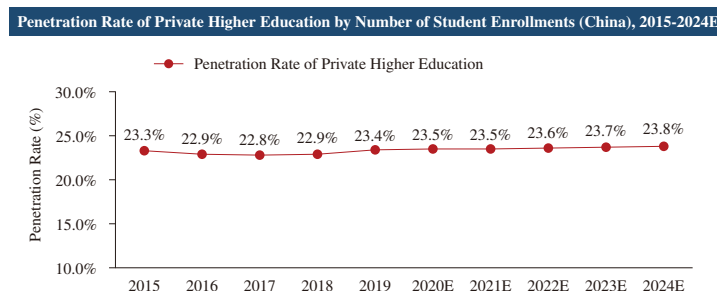


Source: MOE, Frost & Sullivan

### Penetration Rate of Private Higher Education

Private undergraduate education refers to the higher education offered by undergraduate institutions which grant bachelor’s degree to graduates. Junior college education refers to the higher education offered by undergraduate institutions or junior colleges which grant junior college degree to graduates.

The penetration rate of private higher education refers to the number of students enrolled in private undergraduate education and junior college education divided by total student enrollment in undergraduate education and junior college education. According to the Frost & Sullivan Report, the penetration rate of private higher education in China increased from 23.3% in 2015 to 23.4% in 2019, and is likely to increase to 23.8% in 2024. The fluctuation of penetration rate of private higher education is subject to factors such as enrollment plan, overall yield, school-age population. The following chart shows the historical and projected penetration rate of private higher education in China from 2015 to 2024:



Source: MOE, Frost & Sullivan



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### Market Drivers

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

- *Increasing wealth and demand for higher education:* With the increase in household income and improvement of living conditions in China, the public has paid more attention to literary and cultural activities and has become more aware of the importance of education. According to the Frost & Sullivan Report, this trend is expected to continue to drive increases in China's higher education student enrollment rate, and as the development of public educational resources is likely to remain relatively stable, private education is expected to gain ground for development to fill in the gap and therefore experience growth.
- *Growing market demand for application-oriented talent:* As China's economy continues to develop, the Chinese market needs more application-oriented talent in many areas. As public higher education tends to focus on academic training, there is a significant lack of skilled and well-trained frontline workforce in China, according to the Frost & Sullivan Report. The growing market demand for technical talent is expected to attract more students to private higher education, which focuses more on professional education.
- *Increasing diversification and improved quality of education:* The quality of private formal higher education is continuously improving. The emergence and development of leading private universities, which offer high-quality education programs, indicates an upgrade of the private higher education market in China. Meanwhile, private education institutions that focus on professional education are expanding course offerings and increasing the level of specialization in numerous areas. Such developments are expected to attract more students and drive the growth of the higher education market on a long-term basis.
- *Government support:* The PRC government has released a number of policies, such as the Notification of Enhancing the Management and Conducting the Development of Non-Governmental Colleges and Universities by the General Office of the State Council of PRC (《國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知》) which was promulgated to implement preferential tax policies and other incentive policies for private education, the Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) which set out market regulated prices applying to for-profit private institutions and the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) which was promulgated to actively encourage, vigorously support and correctly guide the development of private education. These policies and regulations support the growth of the market.

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### Development Trends

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

- *Increasing number of private universities:* Supported by the private education operators' increasing ability to integrate quality academic and capital resources, as well as their continuous improvements in quality, and attributed to the Chinese people's increasing demand for higher degrees and increased spending on education, there is expected to be a market trend for independent colleges to transform into private universities.
- *Industry consolidation:* China's higher education market is expected to experience increasing consolidation as the leading players continue to develop using a primary strategy of pursuing growth through mergers and acquisitions, which is preferred due to the stringent legal requirements applicable to, and the large amount of required capital and long preparation period necessary for the establishment of new universities.
- *Better match of talent cultivation objective and market demand:* A number of private universities focus on providing technical knowledge and skills in the areas of applied sciences and technology. This focus is in line with job market trends as students with strong practical skills are expected to be in considerable demand in China's employment market. The PRC government is expected to further increase its support for the development of application-oriented higher education and relevant institutions.

### Main Threats

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

- *Uncertain impact of new policies and regulations promulgated with respect to private higher education:* Participants in the private higher education industry in China are subject to a number of laws and regulations. Such laws and regulations, in particular, those related to private education may be amended from time to time. The impact of any such changes is uncertain.
- *Increasing competition:* Participants in the private higher education industry in China confront increasingly fierce competition. As a result, the PRC private higher education industry is expected to experience increasing consolidation and acquisitions. Those participants that cannot adapt to rapid evolution in the industry are likely to be weeded out.
- *Higher acceptance of public schools than private schools:* Private higher education has a relatively short history in China compared with public higher education. Generally, students and parents have higher acceptance of public schools than private schools. Private schools will need to gain wider acceptance among the general public in China, especially among students and their parents, to compete with public schools.

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

### Entry Barriers for Private Higher Education in China

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

- *Approval of the government:* School operators in China are required to obtain and maintain a number of approvals, licenses and permits and comply with specific registration, filing and qualification requirements, including requirements on registered capital, total assets, availability of land and the number of minimum student enrollment, as well as teaching staff qualification. Additionally, the establishment of a private school in China is also subject to the satisfactory of various prerequisites under relevant laws and regulations in the PRC, including but not limited to Regulations on Establishment and Management of Independent Colleges (《獨立學院設置與管理辦法》) and Tentative Regulations on Establishment of Regular Universities (《普通本科學校設置暫行規定》). The lengthy, complex and uncertain application process has become a natural entry barriers especially for new school operators;
- *Sufficient initial capital and investment:* Establishing a new school in China requires large capital investment for the construction of school campuses and facilities as well as other related expenses, both initially and generally on an on-going basis. Therefore, the ability for school operators to secure sufficient and durative capital is critical;
- *Availability of land and relevant facilities:* To meet various requirements of teaching and extracurricular activities, schools generally need significant land resources to build teaching and other relevant facilities. The land resources are usually granted by the local governments or obtained through leasing. With the limited supply of available land resources and rising lease expenses of current land resources, it is becoming more and more difficult to obtain additional land resources;
- *Availability of qualified teachers:* The structural adjustment of China's higher education industry to better match talent cultivation with market demand has meant that qualified teachers with relevant practical industry experience and know-how are in great demand. This presents a difficulty for new participants who do not have sufficient access to such resources, to enter the market;
- *Brand awareness and source of students:* Students' and their parents' inclination to obtain education at well-known schools with a long history and well-established reputation, which takes time to achieve, poses obstacles for new entrants to attract sufficient students; and

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- *Operational experience and management capability:* With a high level of competition in the market, operational experience and management capability serves as a key entry barrier for new entrants. The operation of higher educational institutions involves the management of a large number of people with a complex set of roles in a highly complex system. Without operational and management experience, new entrants could encounter great challenges in achieving economies of scale.

### OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN SHANXI PROVINCE

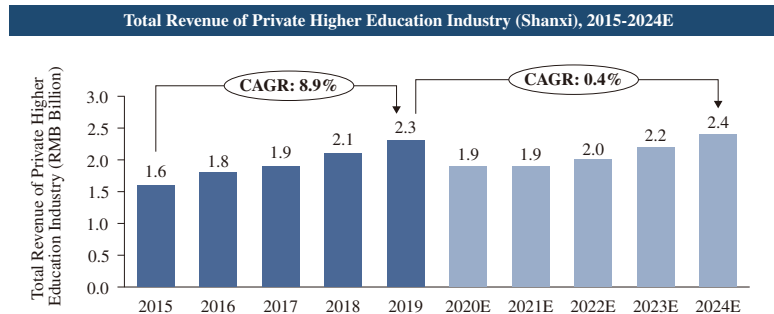
#### Market Size

According to the Frost & Sullivan Report, Shanxi Province is one of the economically underdeveloped provinces in China, though it is growing at a rapid rate, with nominal GDP growing at a CAGR of 9.7% to reach RMB1.7 trillion in 2019 from RMB1.2 trillion in 2015. Higher education resources in the province are relatively scarce. In 2019, there were 2,688 higher education institutions in China, of which 768 were private higher education institutions. In 2019, there were only 82 higher education institutions in Shanxi Province, of which only 15 were private higher education institutions. Shanxi Province ranked 16th and 22th in terms of the number of higher education institutions and private higher education institutions in 2019. The number of private higher education institutions in Shanxi Province is fewer than neighboring provinces, like Shaanxi Province and Henan Province, which had 95 and 141 private higher education institutions, respectively. The total number of higher education institutions in North China in 2019 was 258, of which 69 were private higher education institutions. In 2019, the 15 private higher education institutions in Shanxi Province had total student enrollment of 138.8 thousand students, only representing 17.3% of the province’s total student enrollment in higher education of 802.0 thousand students. In 2019, student enrollment in and total revenue of private higher education in Shanxi Province accounted for 2.0% and 1.7%, respectively, of the private higher education market in China. According to the Frost & Sullivan Report, this leaves much unexplored space and huge potential for the development of private higher education in Shanxi Province.

Total revenue for the private higher education industry in Shanxi Province grew rapidly from RMB1.6 billion in 2015 to RMB2.3 billion in 2019, representing a CAGR of 8.9%. In addition to increasing student enrollment, thanks to the increase in disposable income and regulation allowing for market pricing of non-profit private higher education, the continuing growth of tuition and miscellaneous fees have contributed to the steady growth of total revenue of private higher education in Shanxi Province. In 2020, two independent colleges in Shanxi Province were transformed to become public higher education institutions, resulting in a decline in the total revenue of private higher education for the year. In addition, according to the “Report of Department of Education of Shanxi Province on the Transfer of Independent college” (《山西省教育廳關於全省獨立學院轉設的報告》), another independent college is expected to be transformed to become a public higher education institution in 2021. After an adjustment period to such transformation of independent colleges, the total revenue of private higher education in Shanxi Province is expected to maintain steady growth and reach RMB2.4 billion in 2024, representing a CAGR of 0.4% from 2019 to 2024. Private higher education accounted for

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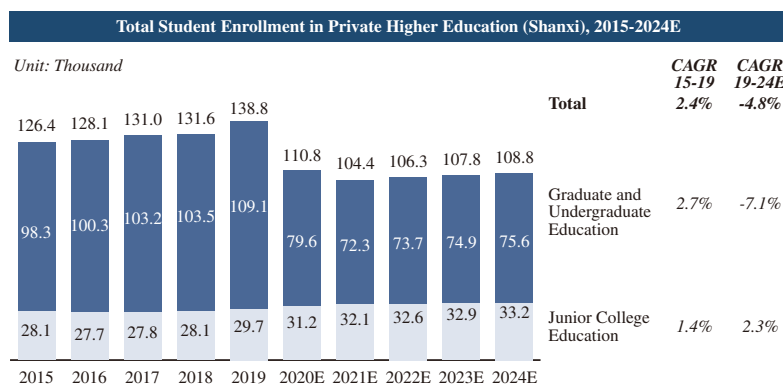
9.9% of the overall higher education industry in Shanxi Province in terms of revenue in 2019. The chart below illustrates the total revenue for the private higher education industry in Shanxi Province from 2015 to 2024:



Source: Department of Education of Shanxi Province, Frost & Sullivan

### Student Enrollment

According to the Frost & Sullivan Report, from 2015 to 2019, total student enrollment in the private higher education industry in Shanxi Province increased from 126.4 thousand to 138.8 thousand, representing a CAGR of 2.4%. Due to the transfer of some independent colleges to public higher education institutions in Shanxi Province, student enrollment in private higher education in Shanxi Province is expected to decrease to 110.8 thousand and 104.4 thousand in 2020 and 2021, respectively. After 2021, student enrollment in private higher education is expected to maintain a stable growth rate and reach 108.8 thousand by 2024. The following chart illustrates the historical and projected total student enrollment in the private higher education industry in Shanxi Province from 2015 to 2024:

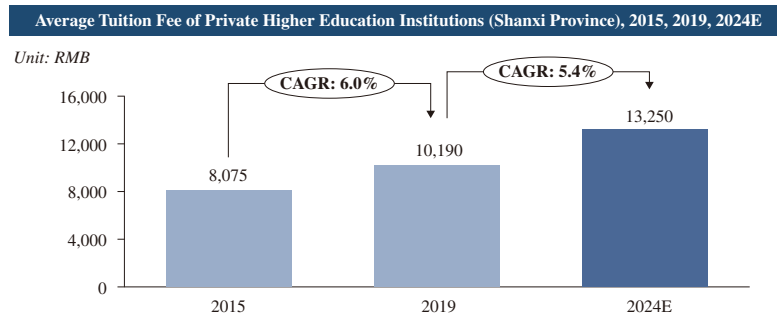


Source: Department of Education of Shanxi Province, Frost & Sullivan

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### Tuition Fees

According to the Frost & Sullivan Report, average annual tuition and miscellaneous fees for private higher education in Shanxi Province increased from RMB8,075 in 2015 to RMB10,190 in 2019 representing a CAGR of 6.0%, and is expected to increase to RMB13,250 in 2024, representing a CAGR of approximately 5.4% from 2019 to 2024. The following chart illustrates the historical and projected average annual tuition and miscellaneous fees for the private higher education industry in Shanxi Province from 2015 to 2024:



*Source: Department of Education of Shanxi Province, Frost & Sullivan*

Factors affecting tuition fee levels mainly include operating cost, operation conditions, market demand, market recognition, and the local economic development level. The following table sets forth the range of tuition fees of private undergraduate education and private junior college education in Shanxi Province for the school years indicated:

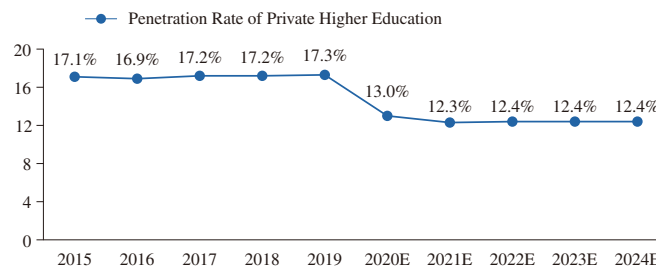
<b>Tuition fee range (RMB)</b>	<b>School Year</b>		
	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Private undergraduate education	10,800–17,000	14,800–17,040	14,800–17,040
Private junior college education	5,000–7,500	5,000–7,500	5,000–7,500

## INDUSTRY OVERVIEW

### Penetration Rate of Private Higher Education

According to the Frost & Sullivan Report, the penetration rate of private higher education in Shanxi Province decreased from 2015 to 2016 and then increased to 17.3% in 2019. Due to the transformation of independent college to public higher education institutions, the penetration rate of private higher education is expected to decrease to 13.0% and 12.3% in 2020 and 2021, which was much lower than the national average of 23.4%, and showed large potential for private higher education market in Shanxi Province. Looking forward, the penetration rate of private higher education is expected to increase to 12.4% in 2024. The following chart shows the historical and projected penetration rate of private higher education by number of student enrollments in Shanxi Province from 2015 to 2024:

**Penetration Rate of Private Higher Education by Number of Student Enrollments (Shanxi), 2015-2024E**



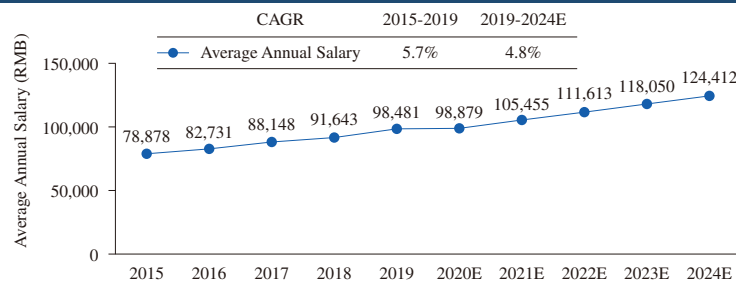
*Note:* The penetration rate of private higher education refers to the student enrollment in private undergraduate education and junior college education divided by student enrollment in total undergraduate education and junior college education.

*Source:* Department of Education of Shanxi Province, Frost & Sullivan

### Teacher Salaries

According to the Frost & Sullivan Report, the average annual salary of teachers in higher education in Shanxi Province increased from RMB78,878 in 2015 to RMB98,481 in 2019. In the forecast period, the average annual salary of higher education teachers in Shanxi Province is likely to increase to RMB124,412 in 2024. The following chart shows the historical and projected average annual salaries of teachers in higher education in Shanxi Province from 2015 to 2024:

**Average Annual Salary of Teacher in Higher Education (Shanxi Province), 2015-2024E**



*Source:* National Bureau of Statistics, Frost & Sullivan

According to the Frost & Sullivan Report, average teacher salaries for private higher education institutions in Shanxi Province are lower than average annual salaries for all higher education institutions in the province.

## INDUSTRY OVERVIEW

### The Competitive Landscape in Shanxi Province

According to the Frost & Sullivan Report, there were 13 private higher education institutions in Shanxi Province in the 2020/2021 school year. The private higher education market in Shanxi Province is relatively concentrated, with the top five players together accounting for an approximate 60.2% market share in terms of full-time student enrollment in the 2020/2021 school year.

According to the Frost & Sullivan Report, our Group was the largest private high education institution in terms of full-time student enrollment in Shanxi Province with a market share of approximately 15.6% in the 2020/2021 school year. The following table illustrates the student enrollment and respective market share in the 2020/2021 school year of the top five private higher education institutions in Shanxi Province:

Ranking	Private Higher Education Institution	Student Enrollments in the 2020/2021 School Year (Thousand)	Market Share (%)
1	The Group	17.3	15.6%
2	School B	15.1	13.6%
3	School C	15.0	13.5%
4	School D	12.1	10.9%
5	School E	7.3	6.6%
	<b>Top five</b>	<b>66.8</b>	<b>60.2%</b>
	<b>Total</b>	<b>110.8</b>	<b>100.0%</b>

*Note:*

- 1) Student enrollment in private higher education only refers to full-time students, excluding continuing education, adult education, non-degree education (technical diploma), etc.
- 2) The Group’s data is based on the Group’s internal data.
- 3) School B is an independent college located in Jinzhong primarily offering bachelor’s degree programs.
- 4) School C is a private university located in Taiyuan primarily offering bachelor’s degree programs.
- 5) School D is an independent college located in Jinzhong primarily offering bachelor’s degree programs.
- 6) School E is an independent college located in Linfen primarily offering bachelor’s degree programs.

*Source: Frost & Sullivan*

In addition, our Group ranked first in terms of the Initial Employment Rate of graduates among all private higher education institutions in Shanxi Province with an Initial Employment Rate of approximately 90.8% in 2019, compared to the average Initial Employment Rate of private higher education institutions in Shanxi Province of approximately 73.5%.