You should read the following discussion and analysis with our consolidated financial statements and related notes, included in the Accountants' Report in Appendix I to this document. The Accountants' Report contains our consolidated financial statements as of and for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020. The Accountants' Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Assuming that the Contractual Arrangements had been effective during the Track Record Period Shanxi WFOE had been subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it receives from our PRC Affiliated Entities (as the annual taxable revenue would have exceeded RMB5.0 million), we estimate that our tax exposure would have increased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020. Had such taxes applied to us during the Track Record Period, we estimate that, based on current prevailing laws and regulations, our net profit would have decreased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively, accounting for approximately 31.0%, 31.0%, 31.0% and 31.0%, respectively, of our net profit for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, in the worst case scenario. In addition, assuming that our College had elected to register as a for-profit private school and the profit before tax of our College had been 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. Had such taxes applied to us during the Track Record Period, we estimate that, our net profit would have decreased by approximately RMB37.5 million, RMB34.7 million, RMB36.5 million and RMB13.1 million, respectively, accounting for 25.9%, 25.2%, 25.6% and 25.8% of our net profit, respectively, for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020.

In addition, for illustrative purposes only, assuming that our College had elected to register as a for-profit private school, and the Contractual Arrangements were effective during the Track Record Period, Shanxi WFOE was subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it received from our PRC Affiliated Entities (as the annual taxable revenue would exceed RMB5.0 million) and assuming that such service fee to be received by Shanxi WFOE is eligible to be tax deductible for the PRC enterprise income tax of our College, we estimate that our tax exposure would have increased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020. Had such taxes applied to us during the Track Record Period, we estimate that, our net profit would have decreased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively, accounting for 31.0%, 31.0%, 31.0% and 31.0% of our net profit, respectively, for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020.

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

For the purpose of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to our financial years ended August 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading provider of private higher education in Shanxi Province, owning and operating one of the largest private colleges in that province. According to the Frost & Sullivan Report, our College ranked first in terms of full-time student enrollment in the 2020/2021 school year among private higher education providers in Shanxi Province, with an approximately 15.6% market share by full-time student enrollment in the 2020/2021 school year. The total number of students enrolled in our College has grown from approximately 8,000 in the 2011/2012 school year when we were accredited by the MOE to become the first private undergraduate college in Shanxi Province to more than 17,000 for the 2020/2021 school year.

Our revenue remained largely stable over the Track Record Period. Our revenue decreased 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 increased to RMB271.1 million for the year ended August 31, 2020. Our revenue decreased slightly 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 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.

BASIS OF PRESENTATION

Pursuant to the Corporate Reorganization, our Company became the holding company of the companies now comprising the Group in November 2020.

Due to regulatory restrictions on foreign ownership in schools in China, the provision of higher education services by our Group is carried out by the PRC Affiliated Entities. Our wholly-owned subsidiary, Shanxi WFOE, has entered into the Contractual Arrangements with, among others, the PRC Affiliated Entities and Registered Shareholders. The Contractual Arrangements enable Shanxi WFOE to exercise effective control over the PRC Affiliated Entities and obtain substantially all economic benefits of the PRC Affiliated Entities. We do not have any direct or indirect equity interest in the PRC Affiliated Entities. However, the PRC Affiliated Entities were controlled by the Company through the Contractual Agreements. See "Contractual Arrangements" in this document for more details.

The entities now comprising the Group, including the PRC Affiliated Entities, were under common control of Mr. Niu Sanping, our Controlling Shareholder, before and after the Corporate Reorganization. Accordingly, the historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Corporate Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where there is a shorter period. The consolidated statements of financial position of the Group as of August 31, 2018, 2019 and 2020 and December 31, 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Corporate Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

The historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS effective for the accounting period commencing from September 1, 2020, including IFRS 9 "Financial Instruments" ("IFRS 9"), IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers" and IFRS 16 "Leases", together with the relevant transitional provisions, have been consistently applied by our Group in the preparation of the historical financial information throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Demand for Private Higher Education in China and Shanxi Province

The demand for private formal higher education in China is a function of a number of factors, including, among other things, the levels of economic development and changes in the population demographics. Our industry has historically benefited from the growth of China's economy and the increasing demand for private higher education in China. According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past five years, its per capita nominal GDP has also increased at a fast pace. Per capita nominal GDP in China grew from RMB50,237 in 2015 to RMB70,892 in 2019, representing a CAGR of approximately 9.0%, and is expected to reach RMB103,135 in 2024. Accompanied by such growth, per capita disposable income of households in China increased from RMB21,966 in 2015 to RMB30,733 in 2019, representing a CAGR of approximately 8.8%, and is expected to increase to RMB44,944 in 2024. Meanwhile, per capita annual expenditure on education in China also increased from RMB718 in 2015 to RMB1,018 in 2019, representing a CAGR of approximately 9.1% and is expected to reach RMB1,483 in 2024. The overall economic growth and the increase in per capita annual expenditure on education in China will likely have a positive effect on the demand for private higher education in the country. With respect to the changes in population demographics, according to the Frost & Sullivan Report, while the total population of China has been growing steadily from 1,374.6 million in 2015 to 1,400.1 million in 2019, and is expected to continue to grow to 1,416.4 million in 2024, the total higher education age population (aged 18 to 22) decreased from 70.7 million in 2015 to 58.5 million in 2019, representing a CAGR of approximately -4.6%, and is expected to continue to decrease to 57.2 million in 2024 as a result of the implementation of the "One-child Policy" for the past four decades. However, since 2013, the PRC government has continued to loosen such policy, which currently allows all families to have two children. The birth policy will be adjusted and improved gradually to promote the long-term balanced development of the population in China, which we anticipate will eventually reverse the declining trend of higher education age population in recent years. Accordingly, the decrease in total higher education age population is expected to slow down with an estimated CAGR of approximately -0.5% from 2019 to 2024, according to the Frost & Sullivan Report.

Despite such population challenges, total student enrollment in higher education in China has been growing steadily from 28.2 million in 2015 to 33.2 million in 2019, and is expected to continue to grow to 37.3 million in 2024. At the same time, total student enrollment in the private higher education population in China has been growing steadily from 6.1 million in 2015 to 7.1 million in 2019, and is expected to continue to grow to reach 8.0 million in 2024, and revenue generated by private higher education in China increased from RMB92.5 billion in 2015 to RMB135.6 billion in 2019, representing a CAGR of 10.0%, and is expected to reach RMB198.4 billion in 2024, representing a CAGR of 7.9%, according to the Frost & Sullivan Report. We believe the demand for private higher education will be even higher in the medium term, as the increased number of children born after the promulgation of the "two-child" policy reach their adulthood. In addition, according to 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. See "Industry Overview — Overview of the Education System in China — Development Trends" in this document for details of the expected impact of the Three-Child Policy.

In addition, our business is affected by economic development in Shanxi Province. According to the Frost & Sullivan Report, per capita nominal GDP in Shanxi Province increased from RMB34,993 in 2015 to RMB45,724 in 2019, representing a CAGR of approximately 6.9%, and is expected to increase at a CAGR of approximately 5.9% to reach RMB60,981 in 2024. In addition, per capita disposable income of Shanxi Province increased from RMB17,854 in 2015 to RMB23,828 in 2019, representing a CAGR of approximately 7.5%. It is expected to reach RMB31,727 in 2024 considering positive economic prospects for the next five years. According to the Frost & Sullivan Report, student enrollment in private higher education population in Shanxi Province grew steadily from 126.4 thousand in 2015 to 138.8 thousand in 2019. However, in 2020, according to the "Implementation Plan on Accelerating the Transfer of Independent Colleges" (《關於加快推進獨立學院轉設工作的實施方案》) issued by the MOE, by the end of 2020, all independent colleges were required to formulate transfer work plans and promote the realization of the transfer of a number of independent college. Due to the transfer of some independent college to public higher education institutions in Shanxi, the student enrollment of private higher education in Shanxi is estimated to have decreased to 110.8 thousand in 2020 and is expected to further decrease to 104.4 thousand in 2021, after which student enrollment in private higher education is expected to maintain a stable growth rate and reach 108.8 thousand by 2024. Revenue generated by private higher education in Shanxi Province increased from RMB1.6 billion in 2015 to RMB2.3 billion in 2019, representing a CAGR of approximately 8.9%, and is expected to reach RMB2.4 billion in 2024, representing a CAGR of approximately 0.4%. With supply limited by such structural developments while economic and other factors continue to support demand, we expect the demand for available private higher education in Shanxi Province will maintain a steady and healthy growth.

Student Enrollment Levels

Our revenue generally depends on the number of students enrolled at our College and the level of tuition and boarding fees we charge. Our student enrollment depends on a number of factors, including, but not limited to, (i) our College's reputation mainly driven by the quality of education we provide; (ii) the capacity of our College; and (iii) the admission quotas received by our College. We believe our educational philosophy combined with the practical major offerings help us attract students who seek high-quality private higher education as a pathway to professional success in the future. We believe the quality of our teachers also serves as a major factor in student selection of college. Accordingly, we enforce stringent teacher selection criteria and maintain rigorous training programs for our newly hired and experienced teachers, as well as a well-established career development path to improve their performance.

Over the Track Record Period, our student enrollment levels also reflected a change in our enrollment strategy. We ceased recruiting new junior college student classes since the 2018/2019 school year as we decided to phase out our junior college program and shift our focus entirely to our undergraduate program in order to improve the overall quality and reputation of our College and make better use of our faculty resources. As a result, the number of students enrolled in our junior college program declined steadily, from 1,397 students for the 2017/2018 school year to 664 students for the 2018/2019 school year to 279 students for the 2019/2020 school year. The last existing junior college class graduated in the 2019/2020 school year, and as of the Latest Practicable Date we had no junior college students enrolled in our College. The number of students enrolled in our undergraduate program remained relatively stable at 15,450 students for the 2017/2018 school year and at 15,614 students for the 2018/2019 school year. As a result, our total student enrollment in the 2018/2019 school year decreased to 16,278 students from 16,847 students in the previous school year. The number of students enrolled in our undergraduate program increased from 15,614 students for the 2018/2019 school year to 16,337 students for the 2019/2020 school year since the Department of Education of Shanxi Province increased our quota for undergraduate students as our College passed the undergraduate teaching performance evaluation by the MOE in 2019. As a result our total number of students grew back to 16,616 for the 2019/2020 school year. There were 17,233 students enrolled in our College 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.

Tuition and Boarding Fees

Our results of operations are affected by the level of tuition and, to a lesser extent, boarding fees we are able to charge. We usually require students to pay tuition and boarding fees prior to the commencement of each school year. The tuition we charge is typically determined based on guidance provided by the relevant pricing authorities in the PRC, the demand for our educational programs, the cost of our operations, the geographic markets, the tuition fees charged by our competitors and general economic conditions in China. According to the Frost & Sullivan Report, tuition rates of our College are generally higher than those in the public school system in the same geographic market. However, we believe our tuition rates are comparable to those of our competitors in the private higher education industry which have a similar scale and offer similar quality of education in Shanxi Province. During the Track Record Period, we did not raise our tuition fee rates as the tuition fees we charged were an average of approximately 1% below the high end of the permitted 20% range above the approved baseline tuition fee rates in Shanxi Province issued by Shanxi Price Bureau for all the majors we offered for each year of the Track Record Period and we therefore had almost no room to raise our tuition fees. We raised our tuition fee rates for two majors for the 2020/2021 school year. The adjustment of tuition fee and boarding fee rates are subject to prior approval from the relevant government authorities. Although we currently have no immediate plans to raise our tuition fees due to the impact of COVID-19, going forward, we plan to continue monitoring tuition levels at other private higher education providers in Shanxi Province, and will increase our tuition rates at appropriate times in the future, factoring in the education quality we provide. We also have no immediate specific plans to increase our boarding fees. 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. However, there is no guarantee we will be able to raise these rates in the future as we are required to obtain approvals from local educational and pricing authorities for any planned increase in tuition and boarding fees exceeding the limit approved by local educational and pricing authorities. New tuition rates are only applicable to newly-admitted students and the tuition levels for existing students remain unchanged. As a result, changes in tuition rates have a more gradual effect on the overall rate of tuition. See "Risk Factors – Risks Relating to Our Business and Our Industry – Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition fees and boarding fees." in this document. For those students who withdraw from our College, we also have refund policies in place. See "Business – Tuition and Boarding Fees – Student Withdrawals and Refund" in this document for further details.

Ability to Control Operating Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, our cost of sales represented approximately 36.0%, 40.7%, 39.5% and 41.8% of our total revenue, respectively. Our cost of sales consisted of salary costs, depreciation and amortization, utilities expenses, maintenance costs, teaching expenses (including educational supplies, training expenses, research and development costs), student activity costs, office allowances, and others (including traveling and accommodation expenses for teaching staff). Of these, salary costs, mainly consisting of salaries and benefits of our teachers and other teaching staff, was the largest amount constituting 42.6%, 42.6%, 44.8% and 47.5% of our total cost of sales for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, respectively. Our salary costs increased during the Track Record Period primarily due to increases in average salary levels and benefits of our teachers and other teaching staff. We raise our teachers' salaries to remain competitive and retain our high-quality teaching team. The total number of our full-time teachers also increased over the Track Record Period.

Our operating expenses also include selling and distribution expenses and administrative expenses. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, the total amount of selling and distribution expenses and administrative expenses as a percentage of our total revenue was approximately 13.0%, 14.4%, 14.8% and 16.1%, respectively. While our operating expenses have generally remained relatively stable during the Track Record Period, we cannot guarantee they will not increase as we expand our business operations and become a public company.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies we apply in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgments and estimates, and other significant accounting policies, judgments and estimates we applied in preparing our financial information, see notes 2.4 and 3 of the Accountants' Report of our Group in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers is recognized to depict the transfer of promised services to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers. If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the services.

Tuition and boarding fees

Tuition fees and boarding fees received from students are generally paid in advance prior to the beginning of each school year and are initially recorded as contract liabilities. Tuition and boarding fees are recognized proportionately over the periods of the applicable program. The portion of tuition and boarding fee payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that our Group expects to earn within one year. A school year is generally from September of the current year to August of the following year. Revenue generated from both tuition fees and boarding fees is recognized proportionately over the course of a school year excluding February for winter holiday and July and August for summer holiday.

Other Income

Interest income from a financial asset is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Examination and training income is recognized proportionately over the periods of the applicable program.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before our Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when our Group performs under the contract.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	2.0%
Electronic devices	10.0%-17.0%
Furniture and fixtures	10.0%-20.0%
Motor Vehicles	10.0%
Others	33.0%-50.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss and other comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Our Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Our Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Our Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years

If ownership of the leased asset transfers to our Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the terms of the lease agreement and is included in other income in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term of the lease agreement on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

Fair value measurement of financial assets at fair value through profit or loss

The fair value measurement of financial assets at fair value through profit or loss that are categorized within Level 2 of the fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. We monitor our investments for their fair value assessment by considering factors including, but not limited, current economic and market conditions.

IMPLICATIONS OF THE 2016 DECISION AND THE IMPLEMENTATION RULES UNDER THE 2016 DECISION

In accordance with the 2016 Decision and 2021 Implementing Regulations, if we elect our College to register as a for-profit private school, we will be required to conduct financial settlement, the purpose of which is to clarify the ownership and amount of the schools' assets instead of liquidating such school. Subsequently, we may be required to pay relevant taxes and fees, obtain a new school operating license, apply for re-registration of a newly established company in the PRC, transfer all the assets and liabilities of our College to the newly established company and thereafter, continue school operations under the new private school operating license. With reference to other higher education institutions in the PRC which are in the process of registering to become for-profit private schools and whose information was publicly available as of the Latest Practicable Date, our Directors have not observed any material impact on business, operation and financial condition of those higher education institutions in respect of financial settlement by such higher education institutions. In light of the foregoing, as of the Latest Practicable Date, our Directors are of the view that, and concurred by Sole Sponsor, the business operation and financai performance of our College during the financial settlement process should not be materially affected.

RESULTS OF OPERATIONS

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

	Year ended August 31,			Four Months ended December 31,	
	2018	**2019**	**2020**	**2019**	**2020**
	(RMB in thousands)				
Revenue	267,361	266,273	271,083	110,949	110,284
Cost of sales	(96,309)	(108,474)	(107,147)	(46,100)	(46,107)
Gross profit	171,052	157,799	163,936	64,849	64,177
Other income and gains	12,779	18,196	18,967	7,823	4,820
Selling and distribution expenses	(221)	(300)	(277)	(224)	(277)
Administrative expenses	(34,620)	(37,928)	(39,782)	(13,976)	(17,436)
Other expenses	(4,236)	(189)	(109)	–	(423)
Profit before tax	144,754	137,578	142,735	58,472	50,861
Income tax expense	–	–	–	–	–
Profit and total comprehensive income for the year/period	144,754	137,578	142,735	58,472	50,861
Attributable to:					
Owners of the Company	144,754	137,594	142,761	58,509	50,861
Non-controlling interests	–	(16)	(26)	(37)	–
	144,754	137,578	142,735	58,472	50,861

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2019 and 2020, we generated total revenue of RMB267.4 million, RMB266.3 million, RMB271.1 million, RMB110.9 million and RMB110.3 million, respectively.

During the Track Record Period, we derived all of our revenue from tuition and boarding fees that our College collected from students. Our revenue generated from tuition fees were RMB247.3 million, RMB245.2 million, RMB255.2 million, RMB101.9 million and RMB100.8 million, respectively, for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2019 and 2020. Our revenue generated from boarding fees were RMB20.1 million, RMB21.0 million, RMB15.9 million, RMB9.1 million and RMB9.5 million, respectively, for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2019 and 2020.

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

	Year ended August 31,			Four Months ended December 31,	
	2018	**2019**	**2020**	**2019**	**2020**
	(RMB in thousands)				
Tuition fees	247,290	245,234	255,176	101,874	100,751
Boarding fees	20,071	21,039	15,907	9,075	9,533
Total	267,361	266,273	271,083	110,949	110,284

Tuition Fees

Tuition fees consist of tuition fees collected from students enrolled in our College. We generally recognize revenue from tuition fees proportionately over a school year (excluding a two-month summer break and a one-month winter break), generally from September 1 through August 31 in the next calendar year.

We generally require tuition for a full school year to be paid to our College in advance prior to the commencement of each school year. In the event a student leaves our College during the academic year, we have a refund policy in place. See "Business — Tuition and Boarding Fees — Student Withdrawals and Refund" in this document for further details.

Boarding Fees

Boarding fees consist of fees collected from students for housing on our College campus. We recognize revenue from boarding fees proportionately over a school year (excluding a two-month summer break and a one-month winter break), generally from September 1 through August 31 in the next calendar year.

Generally, we collect boarding fees from our students for a full school year prior to the commencement of each school year. In the event a student leaves our College in the middle of an academic year, we have a refund policy in place. Our refund policies can be found in "Business — Tuition and Boarding Fees — Student Withdrawals and Refund" in this document.

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 of Shanxi Province 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, 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 student based on the actual time that such student has lived in the dormitory calculated on a monthly average basis, which is 10 months for a school year and 5 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, though 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 a portion of 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 are unable to board at our College for much of the second semester of the 2019/2020 school year due to the COVID-19 pandemic.

Cost of Sales

Our cost of sales primarily consists of salary costs (including basic salaries, social security contributions, bonuses and benefits for our teaching staff), depreciation and amortization, utilities expenses, maintenance costs, teaching expenses (including educational supplies, training expenses, research and development costs), student activity costs, office allowances, and others (including traveling and accommodation expenses for teaching staff). The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended August 31,			Four months ended December 31,	
	2018	**2019**	**2020**	**2019**	**2020**
	(RMB in thousands)				
Salary costs	41,056	46,224	48,037	20,577	21,897
Depreciation and amortization	30,280	36,932	37,973	12,896	12,493
Utilities expenses	12,643	12,669	11,124	6,816	7,472
Maintenance costs	569	690	1,046	691	97
Teaching expenses	6,384	6,214	4,952	2,979	2,270
Student activity costs	1,355	1,443	1,145	612	335
Office allowances	1,579	1,597	1,276	420	789
Others	2,443	2,705	1,594	1,109	754
Total	96,309	108,474	107,147	46,100	46,107

For the years ended August 31, 2018, 2019, 2020 and the four months ended December 31, 2019 and 2020, our cost of sales was RMB96.3 million, RMB108.5 million, RMB107.1 million, RMB46.1 million and RMB46.1 million, respectively, of which salary costs were RMB41.1 million, RMB46.2 million, RMB48.0 million, RMB20.6 million and RMB21.9 million, respectively, representing 42.6%, 42.6%, 44.8%, 44.7% and 47.5%, respectively, of our total cost of sales for the period.

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of our salary paid to our teaching staff during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and salary paid to our teaching staff is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year/period with a 1% and 5% increase or decrease in revenue from tuition fees and 4% and 13% increase or decrease in salary paid to our teaching staff based on the historical fluctuations of tuition fees and salary costs for the periods indicated.

	Year ended August 31,			Four months ended December 31,	
	2018	**2019**	**2020**	**2019**	**2020**
	(RMB in thousands)				
Sensitivity analysis of tuition					
Tuition fees (decrease)/increase	**Impact on our profit for the year/period**				
(5)%	(12,365)	(12,262)	(12,759)	(5,094)	(5,038)
(1)%	(2,473)	(2,452)	(2,552)	(1,019)	(1,008)
1%	2,473	2,452	2,552	1,019	1,008
5%	12,365	12,262	12,759	5,094	5,038
Sensitivity analysis of salary costs					
Salary (decrease)/increase	**Impact on our profit for the year/period**				
(13)%	5,337	6,009	6,245	2,675	2,847
(4)%	1,642	1,849	1,921	823	876
4%	(1,642)	(1,849)	(1,921)	(823)	(876)
13%	(5,337)	(6,009)	(6,245)	(2,675)	(2,847)

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2019 and 2020, our gross profit was RMB171.1 million, RMB157.8 million, RMB163.9 million, RMB64.8 million and RMB64.2 million, respectively, reflecting gross profit margins of 64.0%, 59.3%, 60.5%, 58.4% and 58.2%, respectively.

Other Income and Gains

Other income and gains consist of (i) bank interest income; (ii) interest income from financial products; (iii) examination and training income; (iv) fair value gains on financial assets at fair value through profit or loss; and (v) others, which mainly consists of income relating to on-campus stores, canteens and other on-campus facilities.

The following table sets forth the breakdown of our other income and gains for the periods indicated:

	Year ended August 31,			Four Months ended December 31,	
	2018	**2019**	**2020**	**2019**	**2020**
	(RMB in thousands)				
Bank interest income	226	362	347	213	261
Interest income from financial products[(1)]	5,371	7,761	9,627	2,880	3,020
Examination and training income	2,784	6,229	1,746	1,251	538
Fair value gains on financial assets at fair value through profit or loss[(1)]	–	124	1,657	1,095	–
Others	4,398	3,720	5,590	2,384	1,001
Total	12,779	18,196	18,967	7,823	4,820

Note:

(1) Financial products purchased by our Group during the Track Record Period consisted of both non-principal protected low risk and principal protected products issued by sizable and reputable licensed banks in the PRC.

Bank interest income consists of interest earned on our bank deposits. Interest income from financial products represents interest income derived from our purchased financial products, which were recognised as financial assets at fair value through profit or loss or prepayments, deposits and other receivables in our current assets. Examination and training income mainly consists of our income from contracting as a base for holding the national art enrollment examination, the College English Test (i) band 4 and (ii) band 6 and the national computer rank examination. Fair value gains on financial assets at fair value through profit or loss represents the fair value gains on the financial products we purchased.

Others primarily consists of (i) income we collected from Shanxi Tuohuang, Tongcai Investment and other Independent Third Parties pursuant to the cooperation agreements we entered into for outsourcing various campus facilities, (ii) income from providing accommodation services to the international students of a third party university pursuant to our cooperation agreement with that university and (iii) income from scientific research and development services we provided to private companies in relation to project plans we designed according to such companies' specifications. Others decreased from RMB4.4 million for the year ended August 31, 2018 to RMB3.7 million for the year ended August 31, 2019. This decrease was primarily due to a decrease in income from outsourcing various campus facilities as communication companies ceased to use our premises as mobile base stations in 2019. Others increased from RMB3.7 million for the year ended August 31, 2019 to RMB5.6 million for the year ended August 31, 2020 primarily due to an increase in income from providing accommodation services to international students of a third party university and an increase in income from scientific research and development services we provided to private companies. Others decreased from RMB2.4 million for the four months ended December 31, 2019 to RMB1.0 million for the four months ended December 31, 2020 primarily due to a decrease in income from scientific research and development services we provided to private companies as a result of the COVID-19 pandemic.

Selling and Distribution Expenses

Selling and distribution expenses over the Track Record Period primarily consisted of expenses incurred for admission-related publicity for our College, including the cost of promotional brochures, advertising expenses, transportation expenses, telecommunication expenses and business entertainment expenses. For the years ended August 31, 2018, 2019, 2020 and the four months ended December 31, 2019 and 2020, our selling and distribution expenses amounted to RMB221,000, RMB300,000, RMB277,000, RMB224,000 and RMB277,000, respectively.

Administrative Expenses

Administrative expenses primarily consist of salary expenses for administrative staff, logistic expenses (including the property management fees charged by an Independent Third Party for providing property management, cleaning, greenery maintenance and garbage disposal services), [**REDACTED**] expenses, depreciation of land for administrative purposes and amortization of equipment and software for school administration and management use, office expenses (including travel and transportation expenses incurred by our administrative staff for business trips), maintenance costs, tax and utilities expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended August 31,			**Four months ended December 31,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(RMB in thousands)				
Salary expenses	19,229	20,902	23,083	8,294	8,031
Logistic expenses	8,833	9,000	9,000	3,000	3,000
[**REDACTED**] expenses	2,379	3,468	3,948	1,085	4,791
Depreciation and amortization	1,837	1,945	1,792	611	692
Office expenses	1,390	1,577	1,334	751	703
Maintenance costs	30	296	46	46	2
Tax	583	343	355	53	80
Utilities expenses	222	237	200	126	117
Others	117	160	24	10	20
Total	34,620	37,928	39,782	13,976	17,436

Other Expenses

Other expenses primarily consist of write-off of other receivables, losses on disposal of items of property, plant and equipment, donation expenses and losses on disposal of subsidiaries. Write-off of other receivables primarily consists of write-off of receivables in connection with a potential overseas cooperation opportunity. In early 2015, we contemplated a potential cooperation opportunity (the "**Potential Cooperation**") with four individuals (the "**Potential Business Partners**"), each being an Independent Third Party. Our sole point of contact with the Potential Business Partners was Mr. Wang ("**Mr. Wang**"), one of the Potential Business Partners who was then working and residing in Canada, who we understood had relevant experience in operating media-related business, and who was introduced to us by a friend of Mr. Niu Sanping. One of the Potential Business Partners was the daughter of Mr. Wang and the other two were his partners. To the best knowledge of the Company, there is no past or present relationship between any of the Potential Business Partners and the Company, its subsidiaries, their shareholders, directors, senior management or their respective associates. Pursuant to the Potential Cooperation, we intended to support establishing a television company based in Canada which would develop film and television programs to the local Chinese community and provide exchange placement opportunities in the television company for our students. Mr. Wang was responsible for identifying such investment opportunities in Canada. Our Directors considered that the Potential Cooperation would provide our students valuable opportunities which would not only allow our students to gain international exposure but also equip them with practical broadcasting and show hosting skills and increase the overall competitiveness of our graduates in the job market. In July 2015, a special purpose vehicle company (the "**Project Company**") was established to undertake the Potential Cooperation, with Mr. Niu Sanping being appointed as one of the directors of the Project Company. Over the period from May 2016 to April 2018, we advanced an aggregate amount of approximately RMB3.4 million to the Project Company to cover, among other things, salary, rental and other expenses relating to the preparation work in connection with the Potential Cooperation. In June 2018, due to a lack of sufficient progress in implementing the Potential Cooperation, including the inability to settle and finalise a detailed plan for implementation of the Potential Cooperation with the Potential Business Partners as no appropriate media-related investment opportunities in Canada had been identified during a three-year period, we decided to withdraw from the Potential Cooperation. Given (i) the relatively insignificant amount (which accounted for less than 1% of our net assets as of August 31, 2018), compared to our scale of operations; (ii) to the best knowledge of our Directors, the financial condition of the Project Company; and (iii) the expected difficulties in recouping any of such amount in the absence of a formalized and definitive agreement with the Potential Business Partners, we wrote off the RMB3.4 million in full during the year ended August 31, 2018, and Mr. Niu Sanping subsequently ceased to be a director of the Project Company in September 2018. We did not enter into a formalized and definitive agreement with the Potential Business Partners since, as discussed with Mr. Wang, details of the terms of cooperation, including the total investment amount and allocation of investment return, were to be negotiated and agreed on only after an appropriate investment opportunity in media-related business in Canada was identified.

With any such investment, there are inherent risks relating to whether and when the investment will materialize or can be recovered. In order to mitigate the uncertainty and risks related to future investments, we have since enhanced our internal control measures with regard to future potential investments including with regard to acquisition of or investment in private education institutions. We [have established] an investment committee which is responsible for conducting research and making decisions on our long-term development strategies, major investment decisions and major matters affecting our development and have formulated relevant investment management policies and standard procedures for evaluating and monitoring such investments. The standard procedures adopted as a part of our internal control measures include the following, among others:

Investment assessment stage

- the Board is responsible for the overall planning and evaluation of investment policy; and

- a preliminary investment proposal will be prepared by our investment department which includes, among others, (i) the background information of the investment target; (ii) expected gains and risks; and (iii) a preliminary due diligence report.

Investment approval stage

- the investment department, together with various other departments, including our accounting department and our risk management team, will assess and evaluate the investment, and then will submit a detailed due diligence report including feasibility study, opinion from external expert, capital budget, financial statement and valuation report, where applicable, to the Board for final approval;

- the investment department is responsible for execution and implementation of the investment, reviewing and reporting to the Board on a regular basis; and

- in making the investment decision, our management team considers, on a case-by-case basis, among other factors: historical performance of the investment, resource allocation among our various investments, the level of risks, investment return, market acumen of the counter party, liquidity requirements of our Group and relevant compliance requirement. Our investment policies are reviewed by our Directors and management team on a regular basis.

Post-investment stage

- our post-investment management team conducting regular and unannounced on-site and off-site inspection, evaluating projects according to the inspection results and recording the evaluation results in the monthly reports.

We incurred losses on disposal of items of property, plant and equipment primarily related to our disposal of obsolete teaching equipment and electronic devices. Donation expenses related to amounts we donated to a local teaching university. The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year ended August 31,			Four months ended December 31,	
	2018	2019	2020	2019	2020
	(RMB in thousands)				
Write-off of other receivables	3,378	–	–	–	–
Losses on disposal of items of property, plant and equipment	688	136	69	–	82
Donation expenses	–	5	–	–	–
Losses on disposal of subsidiaries	164	–	–	–	–
Relocation coordination fee	–	–	–	–	300
Others	6	48	40	–	41
Total	4,236	189	109	–	423

Income Tax Expense

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in the PRC to the tax expense at the effective tax rates are as follows:

	Year ended August 31,			Four months ended December 31,	
	2018	2019	2020	2019	2020
	(RMB in thousands)				
Profit before tax	144,754	137,578	142,735	58,472	50,861
Tax at the statutory tax rate	36,189	34,395	35,682	14,619	12,716
Expense not deductible for tax	1,292	320	774	483	389
Income not subject to tax	(37,481)	(34,729)	(36,522)	(15,145)	(13,146)
Tax losses not recognized	–	14	66	43	41
Tax charge at the Group's effective rate	–	–	–	–	–

Cayman Islands Income Tax

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

Hong Kong Profit Tax

No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

PRC Enterprise Income Tax

We were not required to pay any PRC Enterprise Income Tax throughout the Track Record Period. According to the Implementation Rules for the Law for Promoting Private Education, private schools from which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Track Record Period and as of the Latest Practicable Date, our College does not require reasonable returns and has historically enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognized by our College for the income from the provision of formal educational services during the Track Record Period. An official from Taiyuan Xiaodian District Tax Bureau, State Administration of Taxation* (國家稅務總局太原市小店區稅務局), being the competent authority as advised by our PRC Legal Advisors, confirmed in an interview conducted in April 2021 that, among other things, there have been no findings of tax penalty or any disputes with our College in relation to the compliance with tax laws and regulations and no tax-related claims against our College. See "Risk Factors — Risks Relating to Our Business and Our Industry — The unavailability of any preferential tax treatment currently enjoyed by our College could materially and adversely affect our results of operations.".

All of the other members of our Group established in the PRC were subject to the PRC enterprise income tax rate of 25% during the Track Record Period.

Following the execution of the Contractual Arrangements, Shanxi WFOE is currently subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 3% (as its annual taxable revenue is currently below RMB5.0 million) in respect of the service fees it receives from our PRC Affiliated Entities. Such tax rates are subject to change and may have a significant impact on our profitability. For illustrative purposes only, assuming that the Contractual Arrangements were effective during the Track Record Period, Shanxi WFOE is subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it receives from our PRC Affiliated Entities since the annual taxable revenue exceeding RMB5.0 million, we estimate that our tax exposure would have increased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020. Had such taxes applied to us during the Track Record Period, we estimate that, based on current prevailing laws and regulations, our net profit would have decreased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively, accounting for approximately 31.0%, 31.0%, 31.0% and 31.0%, respectively, of our net profit for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, in the worst case scenario.

In addition, for illustrative purposes only, assuming that our College had elected to register as a for-profit private school, and the Contractual Arrangements were effective during the Track Record Period, Shanxi WFOE was subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it received from our PRC Affiliated Entities (as the annual taxable revenue would exceed RMB5.0 million) and assuming that such service fee to be received by Shanxi WFOE is eligible to be tax deductible for the PRC enterprise income tax of our College, we estimate that our tax exposure would have increased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020. Had such taxes applied to us during the Track Record Period, we estimate that, our net profit would have decreased by approximately RMB44.9 million, RMB42.6 million, RMB44.2 million and RMB15.8 million, respectively, accounting for 31.0%, 31.0%, 31.0% and 31.0% of our net profit, respectively, for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For our Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from January 1, 2008.

As of August 31, 2018, 2019 and 2020 and December 31, 2020, no deferred tax had been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the members of our Group established in the PRC. In principle, our Directors currently expect our Group's earnings will be retained in the PRC for use in expanding our Group's operation, to the extent deem necessary, and do not currently plan for that the members of our Group established in the PRC to distribute such earnings in the foreseeable future. As of August 31, 2018, 2019 and 2020 and December 31, 2020, the aggregate amounts of temporary differences associated with investments in our Group's members in the PRC for which deferred tax liabilities have not been recognized totaled RMB527.3 million, RMB630.6 million, RMB737.9 million and RMB776.1 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended December 31, 2020 Compared to Four Months Ended December 31, 2019

Revenue

Our revenue decreased by RMB0.6 million, or 0.5%, from RMB110.9 million for the four months ended December 31, 2019 to RMB110.3 million for the four months ended December 31, 2020. The decrease was due to a decrease in our revenue from tuition fees, partially offset by an increase in our boarding fees.

Revenue generated from tuition fees decreased by RMB1.1 million, or 1.1%, from RMB101.9 million for the four months ended December 31, 2019 to RMB100.8 million for the four months ended December 31, 2020. The decrease in tuition fees was primarily due to the beginning of the 2020/2021 school year being delayed from September 2020 to October 2020 for new students as a result of the COVID-19 pandemic. As a result, the 2020/2021 school year for new students was shortened to nine months, and we only recognized a total of three months of revenue for the four months ended December 31, 2020 while we recognized revenue for four out of ten months in the corresponding period in 2019. This timing 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.

Revenue generated from boarding fees increased by RMB0.4 million, or 4.4%, from RMB9.1 million for the four months ended December 31, 2019 to RMB9.5 million for the four months ended December 31, 2020, which was primarily attributable to (i) some new students moving into higher-quality dormitories in Beige campus for which students are subject to higher boarding fee rates; and (ii) the increase in student enrollment, partially offset by the delay in the start of the 2020/2021 school year for new students.

Cost of Sales

Our cost of sales remained relatively stable at RMB46.1 million and RMB46.1 million for the four months ended December 31, 2019 and December 31, 2020, respectively.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB0.6 million, or 0.9%, from RMB64.8 million for the four months ended December 31, 2019 to RMB64.2 million for the four months ended December 31, 2020. Gross profit margin decreased from 58.4% for the four months ended December 31, 2019 to 58.2% for the four months ended December 31, 2020. The decrease in gross profit and gross profit margin for the four months ended December 31, 2020 was primarily due to the decrease in revenue as a result of the beginning of the 2020/2021 school year being delayed from September 2020 to October 2020 for new students, while the cost of sales remained relatively stable.

Other Income and Gains

Our other income and gains decreased by RMB3.0 million, or 38.5%, from RMB7.8 million for the four months ended December 31, 2019 to RMB4.8 million for the four months ended December 31, 2020. The decrease in other income and gains for the four months ended December 31, 2020 was mainly due to (i) a decrease of RMB1.1 million in fair value gains on financial assets at fair value as the financial products of RMB400.0 million we held on December 31, 2020 was all purchased on that same date and no fair value change for the four months ended December 31, 2020 was recognized, whereas we had purchased financial products in an aggregate amount of RMB330.0 million in November and December 2019 which we recognized fair value gains of RMB1.1 million for the four months ended December 31, 2019; and (ii) a decrease of RMB1.4 million in others which primarily as a result of the decrease in income from scientific research and development services we provided to private companies as a result of the COVID-19 pandemic.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB0.3 million for the four months ended December 31, 2020 compared to RMB0.2 million for the four months ended December 31, 2019.

Administrative Expenses

Our administrative expenses increase by RMB3.4 million, or 24.3%, from RMB14.0 million for the four months ended December 31, 2019 to RMB17.4 million for the four months ended December 31, 2020, primarily due to RMB4.8 million of [**REDACTED**] expenses we incurred in the four months ended December 31, 2020.

Other Expenses

Our other expenses increased by RMB423,000 from nil for the four months ended December 31, 2019 to RMB423,000 for the four months ended December 31, 2020, primarily due to relocation coordination fee of RMB300,000 paid to local village committee in order to accelerate the process of recovering a parcel of land illegally occupied by a third party individual. The local village committee assisted in coordination with the third party individual and with the demolition of buildings and facilities on the parcel of land. In December 2020, the third-party individual returned this parcel of land to us. See "Business — Properties — Owned Properties" in the document for details.

Income Tax Expense

For reasons explained in the section headed "— Key Components of Our Results of Operations — Income Tax Expense" above, we did not incur any income tax expense for our operations during the Track Record Period.

Profit and Total Comprehensive Income for the Period and Net Profit Margin

As a result of the above factors, our profit and total comprehensive income for the Period decreased by RMB7.6 million, or 13.0% 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 net profit margin decreased from 52.7% for the four months ended December 31, 2019 to 46.1% for the four months ended December 31, 2020. Assuming that (i) the Contractual Arrangements had been effective during the Track Record Period and Shanxi WFOE would have been subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it received from our PRC Affiliated Entities (as the annual taxable revenue would exceed RMB5.0 million); and (ii) our College had elected to register as a for-profit private school and the profit before tax of our College had been subject to PRC enterprise income tax of 25%, we may have been subject to potential additional tax exposure which would have had a negative impact on our net profit during the Track Record Period. See "Business — Potential Implications of the 2016 Decision and Related Implementation Rules — Potential Impact on us of the 2016 Decision and the 2021 Implementing Regulations" in this document and "— Income Tax Expense — PRC Enterprise Income Tax" in this section for details.

Year Ended August 31, 2020 Compared to Year Ended August 31, 2019

Revenue

Our revenue increased by RMB4.8 million, or 1.8%, from RMB266.3 million for the year ended August 31, 2019 to RMB271.1 million for the year ended August 31, 2020. The increase was due to an increase in our revenue from tuition fees, partially offset by a decrease in our boarding fees.

Revenue generated from tuition fees increased by RMB10.0 million, or 4.1%, from RMB245.2 million for the year ended August 31, 2019 to RMB255.2 million for the year ended August 31, 2020. The increase in tuition fees was primarily due to an increase in the total number of students enrolled in our College which increased from 16,278 for the 2018/2019 school year to 16,616 for the 2019/2020 school year.

Revenue generated from boarding fees decreased by RMB5.1 million, or 24.3%, from RMB21.0 million for the year ended August 31, 2019 to RMB15.9 million for the year ended August 31, 2020, which was primarily attributable to the refund 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. Pursuant to the Notice, which directed that school boarding fees may only be charged to individual student based on the time (calculated on a monthly average basis) such student actually resided in the dormitory, we were required to refund boarding fees as students were unable to board at our College for three months (March, April and May) during the 2019/2020 school year. We refunded a total of RMB5.4 million in boarding fees to our students.

Cost of Sales

Our cost of sales decreased by RMB1.4 million, or 1.3%, from RMB108.5 million for the year ended August 31, 2019 to RMB107.1 million for the year ended August 31, 2020, primarily due to decreases in utilities expenses, teaching expenses, student activity costs, office allowances and others of RMB4.5 million as a result of teaching classes online for much of the second semester of the 2019/2020 school year and limited activities for our faculty and staff due to the COVID-19 pandemic, which was partially offset by:

(i) an increase in salary costs of RMB1.8 million, primarily due to an increase in average salary for our teaching staff and an increase in the total number of our full-time teaching staff from 551 as of September 30, 2018 to 570 as of September 30, 2019 and the total number of our part-time teaching staff remained relatively stable;

(ii) an increase in depreciation and amortization of RMB1.1 million, primarily due to a number of real estate properties being put into use in the 2019/2020 school year as certain construction projects were completed in Beige campus and purchases of additional teaching equipment; and

(iii) an increase in maintenance costs of RMB0.4 million, primarily due to maintenance of staff dormitories, installation of access control equipment and increased campus landscaping in the 2019/2020 school year.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB6.1 million, or 3.9%, from RMB157.8 million for the year ended August 31, 2019 to RMB163.9 million for the year ended August 31, 2020. Gross profit margin increased from 59.3% for the year ended August 31, 2019 to 60.5% for the year ended August 31, 2020. The increases in gross profit and gross profit margin for the year ended August 31, 2020 were largely driven by an increase in student enrollment and the resulting increase in revenue as well as the decrease in our cost of sales primarily due to the COVID-19 pandemic.

Other Income and Gains

Our other income and gains increased by RMB0.8 million, or 4.4%, from RMB18.2 million for the year ended August 31, 2019 to RMB19.0 million for the year ended August 31, 2020. The increase in other income and gains for the year ended August 31, 2020 was mainly due to (i) an increase in interest income from financial products of RMB1.9 million as a result of an increase in our purchases of various financial products; (ii) an increase in fair value gains on financial assets at fair value through profit or loss of RMB1.5 million and (iii) an increase in others of RMB1.9 million (primarily due to an increase in income from providing accommodation services to international students of a third party university and an increase in income from scientific research and development services we provided to private companies), partially offset by a decrease in the examination and training income of RMB4.5 million since we contracted as base for holding the national art enrollment examination for the school year 2018/2019, but did not generate such income for the school year 2019/2020.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB0.3 million for each of the year ended August 31, 2019 and August 31, 2020.

Administrative Expenses

Our administrative expenses increased by RMB1.9 million, or 5.0% from RMB37.9 million for the year ended August 31, 2019 to RMB39.8 million for the year ended August 31, 2020, primarily due to increases in salary expenses for administrative staff and [**REDACTED**] expenses in connection with the [**REDACTED**].

Other Expenses

Our other expenses decreased by RMB80,000, or 42.3% from RMB189,000 for the year ended August 31, 2019 to RMB109,000 for the year ended August 31, 2020, due to a decrease in losses on disposal of items of property, plant and equipment, which mostly related to furniture and other equipment used for administration purposes.

Income Tax Expense

For reasons explained in the section headed "— Key Components of Our Results of Operations — Income Tax Expense" above, we did not incur any income tax expense for our operations during the Track Record Period.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the above factors, our profit and total comprehensive income for the year increased by RMB5.1 million, or 3.7% from RMB137.6 million for the year ended August 31, 2019 to RMB142.7 million for the year ended August 31, 2020. Our net profit margin increased from 51.7% for the year ended August 31, 2019 to 52.7% for the year ended August 31, 2020. Assuming that (i) the Contractual Arrangements had been effective during the Track Record Period and Shanxi WFOE would have been subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it received from our PRC Affiliated Entities (as the annual taxable revenue would exceed RMB5.0 million); and (ii) our College had elected to register as a for-profit private school and the profit before tax of our College had been subject to PRC enterprise income tax of 25%, we may have been subject to potential additional tax exposure which would have had a negative impact on our net profit during the Track Record Period. See "Business — Potential Implications of the 2016 Decision and Related Implementation Rules — Potential Impact on us of the 2016 Decision and the 2021 Implementing Regulations" and "— Income Tax Expense — PRC Enterprise Income Tax" in this document for details.

Year Ended August 31, 2019 Compared to Year Ended August 31, 2018

Revenue

Our revenue remained relatively stable, decreasing by RMB1.1 million, or 0.4%, from RMB267.4 million for the year ended August 31, 2018 to RMB266.3 million for the year ended August 31, 2019, due to a decrease in revenue from tuition fees, largely offset by an increase in revenue from boarding fees.

Revenue generated from tuition fees decreased by RMB2.1 million, or 0.8%, from RMB247.3 million for the year ended August 31, 2018 to RMB245.2 million for the year ended August 31, 2019. This decrease was primarily due to a decrease in our total student enrollment from 16,847 in the 2017/2018 school year to 16,278 students in the 2018/2019 school year, which was mainly attributable to the fact that we ceased recruiting new junior college students since the 2018/2019 school year as we decided to focus entirely on our undergraduate program in order to improve the overall quality and reputation of our College and make better use of our faculty resources. The number of students enrolled in our junior college program declined from 1,397 students for the 2017/2018 school year to 664 students for the 2018/2019 school year. As a result, revenue generated from tuition fees from our junior college program decreased by RMB4.9 million, or 52.1%, from RMB9.4 million for the year ended August 31, 2018 to RMB4.5 million for the year ended August 31, 2019. The number of students enrolled in our undergraduate program remained relatively stable at 15,450 students for the 2017/2018 school year and at 15,614 students for the 2018/2019 school year. Revenue generated from tuition fees from our undergraduate program increased by RMB2.9 million, or 1.2%, from RMB237.9 million for the year ended August 31, 2018 to RMB240.8 million for the year ended August 31, 2019.

Revenue generated from boarding fees increased by RMB0.9 million, or 4.5%, from RMB20.1 million for the year ended August 31, 2018 to RMB21.0 million for the year ended August 31, 2019. This increase was primarily due to some new students moving into higher-quality dormitories in Beige campus for which students are subject to higher boarding fee rates, partially offset by the decrease in our total student enrollment. See "Business — Tuition and Boarding Fees" in this document for further details.

Cost of Sales

Our cost of sales increased by RMB12.2 million, or 12.7%, from RMB96.3 million for the year ended August 31, 2018 to RMB108.5 million for the year ended August 31, 2019. This increase was primarily attributable to (i) an increase in salary costs of RMB5.1 million, primarily due to an increase in average salary for our teaching staff and an increase in the total number of our full-time teaching staff from 499 as of September 30, 2017 to 551 as of September 30, 2018 and the total number of our part-time teaching staff decreased slightly from 537 as of September 30, 2017 to 512 as of September 30, 2018; and (ii) an increase in depreciation and amortization of RMB6.6 million, primarily due to a number of real estate properties being put into use in the 2018/2019 school year as certain construction projects were completed and purchases of additional equipment, furniture and software.

Gross Profit and Gross Profit Margin

Gross profit decreased by RMB13.3 million, or 7.8% from RMB171.1 million for the year ended August 31, 2018 to RMB157.8 million for the year ended August 31, 2019. Our gross profit margin decreased from 64.0% for the year ended August 31, 2018 to 59.3% for the year ended August 31, 2019. This decrease was largely attributable to increases in salary costs for our teaching staff and depreciation and amortization while revenue decreased slightly as a result of a decrease in our total student enrollment.

Other Income and Gains

Other income and gains increased by RMB5.4 million, or 42.2%, from RMB12.8 million for the year ended August 31, 2018 to RMB18.2 million for the year ended August 31, 2019. The increase was primarily due to (i) an increase in interest income from financial products of RMB2.4 million, or 44.4% from RMB5.4 million for the year ended August 31, 2018 to RMB7.8 million for the year ended August 31, 2019, primarily due to an increase of interest income derived from financial assets at fair value through profit or loss for the year ended August 31, 2019; and (ii) an increase in examination and training income of RMB3.4 million, or 121.4% from RMB2.8 million for the year ended August 31, 2018 to RMB6.2 million for the year ended August 31, 2019, primarily due to income we received from contracting as a base for holding the national art enrollment examination for the school year 2018/2019.

Selling and Distribution Expenses

Selling and distribution expenses remained relatively stable at RMB221,000 for the year ended August 31, 2018 and RMB300,000 for the year ended August 31, 2019.

Administrative Expenses

Our administrative expenses increased by RMB3.3 million, or 9.5%, from RMB34.6 million for the year ended August 31, 2018 to RMB37.9 million for the year ended August 31, 2019, primarily due to increases in salary expenses and an increase in [**REDACTED**] expenses in connection with the [**REDACTED**].

Other Expenses

Other expenses decreased by RMB4.0 million, or 95.2%, from RMB4.2 million for the year ended August 31, 2018 to RMB0.2 million for the year ended August 31, 2019, primarily because we incurred a non-recurring loss of RMB3.4 million relating to the write-off of advances made in furtherance of establishing a television company based in Canada which would provide exchange placement opportunities to our students. For the year ended August 31, 2018, we made prepayment amounting to RMB3.4 million to an overseas Independent Third Party in relation to a potential overseas cooperation opportunity. Subsequently, we did not proceed with the project and such advances were written-off as a loss for the year ended August 31, 2018. See "— Key Components of Our Results of Operations — Other Expenses" for further details.

Income Tax Expense

For reasons explained in the section headed "Key Components of Our Results of Operations — Income Tax Expense", we did not incur any income tax expense for our operations during the Track Record Period.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the above factors, our profit and total comprehensive income for the year decreased by RMB7.2 million, or 5.0%, from RMB144.8 million for the year ended August 31, 2018 to RMB137.6 million for the year ended August 31, 2019. Our net profit margin decreased from 54.1% for the year ended August 31, 2018 to 51.7% for the year ended August 31, 2019. Assuming that (i) the Contractual Arrangements had been effective during the Track Record Period and Shanxi WFOE would have been subject to PRC enterprise income tax of 25% of profit before tax and value-added tax of 6% in respect of the service fees it received from our PRC Affiliated Entities (as the annual taxable revenue would exceed RMB5.0 million); and (ii) our College had elected to register as a for-profit private school and the profit before tax of our College had been subject to PRC enterprise income tax of 25%, we may have been subject to potential additional tax exposure which would have had a negative impact on our net profit during the Track Record Period. See "Business — Potential Implications of the 2016 Decision and Related Implementation Rules — Potential Impact on us of the 2016 Decision and the 2021 Implementing Regulations" and "— Income Tax Expense — PRC Enterprise Income Tax" in this document for details.

DISCUSSION OF SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

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

	As of August 31,			As of December 31,	As of April 30,
	2018	2019	2020	2020	2021
			(RMB in thousands)		*(Unaudited)*
CURRENT ASSETS					
Trade receivables	96	115	94	240	86
Prepayments, other receivables and other assets	74,124	247,113	19,654	6,708	10,208
Amounts due from directors	29,169	–	–	–	–
Amount due from a related party	316	–	–	838	838
Financial assets at fair value through profit or loss	–	30,124	311,657	400,000	540,000
Time deposits	10,000	–	–	–	–
Cash and cash equivalents	300,642	211,826	89,127	211,356	48,089
Total current assets	414,347	489,178	420,532	619,142	599,221
CURRENT LIABILITIES					
Contract liabilities	221,191	203,481	2,508	180,046	90,168
Other payables and accruals	104,273	119,678	95,047	57,462	75,418
Amounts due to directors	–	2,184	–	–	–
Amounts due to related parties	1,118	3,840	5,501	8	8
Total current liabilities	326,582	329,183	103,056	237,516	165,594
NET CURRENT ASSETS	87,765	159,995	317,476	381,626	433,627

As of April 30, 2021, we had net current assets of RMB433.6 million, as compared to net current assets of RMB381.6 million as of December 31, 2020. This increase was primarily due to (i) an increase of RMB140.0 million in financial assets at fair value through profit or loss; (ii) a decrease of RMB89.9 million in contract liabilities; (iii) an increase of RMB3.5 million in prepayments, other receivables and other assets, partially offset by (i) a decrease of RMB163.3 million in cash and cash equivalents which was primarily due to an increase of RMB140.0 million in financial assets at fair value through profit or loss for the financial products we purchased; and (ii) an increase of RMB18.0 million in other payables and accruals.

As of December 31, 2020, we had net current assets of RMB381.6 million, as compared to net current assets of RMB317.5 million as of August 31, 2020. The increase in net current assets was primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB88.3 million; (ii) an increase in cash and cash equivalents of RMB122.2 million and (iii) an decrease in other payables and accruals of RMB37.5 million, partially offset by (i) a decrease of RMB12.9 million in prepayments, other receivables and other assets; and (ii) an increase of RMB177.5 million in contract liabilities.

As of August 31, 2020, we had net current assets of RMB317.5 million, as compared to net current assets of RMB160.0 million as of August 31, 2019. The increase in net current assets was primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB281.5 million; (ii) a decrease in contract liabilities of RMB201.0 million; and (iii) a decrease in other payables and accruals of RMB24.6 million, partially offset by (i) a decrease in prepayments, other receivables and other assets of RMB227.5 million; and (ii) a decrease in cash and cash equivalents of RMB122.7 million. The decrease in contract liabilities and cash and cash equivalents were both primarily driven by the delay in the start of the 2020/2021 school year resulting in receipt of most tuition and boarding fees in September 2020.

As of August 31, 2019, we had net current assets of RMB160.0 million, as compared to net current assets of RMB87.8 million as of August 31, 2018. The increase in net current assets was primarily due to an increase of RMB173.0 million in prepayments, other receivables and other assets relating to an increase in financial products of RMB150.0 million, partially offset by a decrease of RMB88.8 million in cash and cash equivalents as a result of purchasing the financial products.

Trade Receivables

Our trade receivables represent amounts due from students who have applied for deferred payment of tuition fees and boarding fees. We usually require our students to pay tuition and boarding fees for each school year before the beginning of the school year, which normally commences in September. Our trade receivables as of August 31, 2018, 2019 and 2020 and December 31, 2020 were RMB96,000, RMB115,000, RMB94,000 and RMB240,000, respectively. The following table sets forth the breakdown of our trade receivables as of the dates indicated:

	As of August 31,			**As of December 31,**
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Tuition fees receivable	93	109	88	231
Boarding fees receivable	3	6	6	9
Total	96	115	94	240

The ageing analysis of our trade receivables as of the dates indicated, based on the transaction date and net of provisions, is as follows:

	As of August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
Within one year	78	74	69	222
One to two years	12	39	18	3
Two to three years	6	2	7	8
Three to four years	–	–	–	7
	96	115	94	240

During the Track Record Period, there was no expected credit loss provided for trade receivables aged over one year as (i) we apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables; and (ii) our students are required to settle the outstanding tuition and boarding fees before graduation after three to four years of study at our College. As our Group's trade receivables during the Track Record Period were immaterial and in all instances over the Track Record Period were collected before the relevant students from whom the amounts were due graduated, our Directors believe that the risk of non-recoverability is remote, and have determined there is no need to make provision for expected credit loss for trade receivables aged over one year.

Amounts due from/to Directors

	As of August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
Amounts due from Directors	29,169	–	–	–
Amounts due to Directors	–	2,184	–	–

Our amounts due from Directors amounted to RMB29.2 million as of August 31, 2018, representing advances to our Directors, Mr. Niu Sanping and Mr. Niu Jian, which were non-trade in nature. All such amounts were fully settled in cash by Mr. Niu Sanping and Mr. Niu Jian during the year ended August 31, 2019. Our amounts due from Directors was nil as of August 31, 2019 and 2020 and December 31, 2020. See "— Material Related Party Transactions" below in this section for more details.

Our amounts due to Directors amounted to nil, RMB2.2 million, nil and nil as of August 31, 2018, 2019 and 2020 and December 31, 2020, respectively. Such amounts were non-trade in nature, unsecured, non-interest bearing short-term payables. See "— Material Related Party Transactions" below in this section for more details.

As of the Latest Practicable Date, all amounts due to and from Directors had been fully settled.

Amounts due from/to Related Parties

	As of August 31,			As of December 31,
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Amounts due from a related party				
Trade-related	–	–	–	838
Non-trade-related	316	–	–	–
	316	–	–	838
Amounts due to related parties				
Trade-related	675	3,642	5,496	–
Non-trade-related	443	198	5	8
	1,118	3,840	5,501	8

Amounts due from a related party of a non-trade-related nature were RMB316,000, nil, nil and nil as of August 31, 2018, 2019 and 2020 and December 31, 2020, representing advances to Shanxi Hanghangxing Human Resources Services Co., Ltd., all such amounts were fully repaid in cash in December 2018. See "— Material Related Party Transactions" below in this section for more details. Amounts due from a related party of a trade-related nature were nil, nil, nil and RMB838,000 as of August 31, 2018, 2019 and 2020 and December 31, 2020, representing management fees due from Tongcai Investment pursuant to the cooperation agreements we entered into for the premises and other basic utilities we provided.

Amounts due to related parties of a trade nature were RMB0.7 million, RMB3.6 million, RMB5.5 million and nil as of August 31, 2018, 2019 and 2020 and December 31, 2020, respectively, and primarily consisted of amounts for business entertainment expenses due to Tongcai Investment in relation to catering and accommodation services provided by Tongcai Investment at our internal hospitality service center. See "— Material Related Party Transactions" below in this section for more details. Amounts due to related parties of a non-trade nature were RMB443,000 and RMB198,000 as of August 31, 2018 and 2019, respectively, and primarily consisted of amounts for training fees payables on behalf of students to Shanxi Tongcai Training School* (山西通才培訓學院). Such fees were collected from students attending training programs for post-graduate admission examinations or professional qualification examinations on behalf of Shanxi Tongcai Training School* (山西通才培訓學院) without charging extra fees. Amounts due to related parties of a non-trade nature of RMB5,000 and RMB8,000 as of August 31, 2020 and December 31, 2020 were related to advances from Niujian Limited and Niusanping Limited to our Company and China General Education (HK) for general corporate purposes.

As of the Latest Practicable Date, all amounts due to related parties as of December 31, 2020 (all of which were non-trade related) had been settled. As of the Latest Practicable Date, none of the amounts due from a related party as of December 31, 2020 (all of which were trade-related) had been settled.

As advised by our PRC Legal Advisors, the financing arrangements and lending transactions between our Group and our related parties contravened the General Rules on Loans (《貸款通則》) promulgated by the People's Bank of China in 1996, which prohibited any financing arrangements or lending transactions between non-financial institutions and pursuant to which a fine may be imposed on an offending lender equivalent to one to five times the income the lender receives from such non-compliant loans. However, considering that (i) such financing arrangements and lending transactions were interest-free (and as such are not subject to imposition of fines, as fines are calculated based on the income the lender receives from such non-compliant loans); and (ii) such loans had been fully be settled as of December 31, 2020, our PRC Legal Advisors are of the view that the risk that the People's Bank of China will impose penalties or fines on our Group is relatively low.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets primarily consist of (i) student fees receivables from the third-party payment platforms; (ii) advances to third parties; (iii) [**REDACTED**] expenses; (iv) equity-transfer-fund receivable in relation to the residual assets of Tongcai Media after its de-registration refundable by the transferee (please refer to the section headed "History and Corporate Structure" for details); (v) prepayments to a supplier, which is an Independent Third Party; (vi) financial products, which were purchased from sizeable, credit worthy and reputable banks in the PRC from time to time; and (vii) other receivables, mainly including income collected from Shanxi Tuohuang pursuant to the cooperation agreements we entered into for outsourcing various campus facilities and interest receivable. As of August 31, 2018, 2019 and 2020 and December 31, 2020, we had other receivables from Shanxi Tuohuang of RMB4.3 million, RMB0.3 million, RMB1.6 million and RMB1.6 million, respectively. The RMB1.6 million in other receivables from Shanxi Tuohuang as of December 31, 2020 had subsequently been fully settled as of the Latest Practicable Date. Based on the long-term cooperative relationship with Shanxi Tuohuang and its historical settlement record, our Directors are of the view that the risk of default by Shanxi Tuohuang in relation to the receivables is low. The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
Student fees receivables from third-party payment platforms	197	24,781	7	–
Advances to third parties	300	551	5,836(1)	–
[**REDACTED**] expenses	793	1,949	3,265	4,806
Equity-transfer-fund receivable	8,297	8,297	8,297(2)	–
Prepayments to a supplier	8,100	8,100	–	–
Financial products	50,000	200,000	–	–
Other receivables	6,437	3,435	2,249	1,902
	74,124	247,113	19,654	6,708

Notes:

(1) This amount included RMB0.5 million advanced to a supplier of decoration services in relation to decoration fees incurred for our on-campus incubation facilities and RMB5.3 million advanced to a supplier of textbooks in relation to purchases of books, both of which were fully settled in September 2020.

(2) This amount was subsequently fully settled in November 2020.

Our prepayments, other receivables and other assets increased by RMB173.0 million, or 233.5% from RMB74.1 million as of August 31, 2018 to RMB247.1 million as of August 31, 2019, primarily due to (i) an increase of RMB150.0 million in financial products, which were principal-protected with original maturities of three months; and (ii) an increase of RMB24.6 million in student fees receivables from the third-party payment platforms primarily due to tuition, boarding and miscellaneous fees paid by students through the third-party payment platforms on August 31, 2019 and received by our Group in early 2019.

Our prepayments, other receivables and other assets decreased by RMB227.4 million, or 92.0%, from RMB247.1 million as of August 31, 2019 to RMB19.7 million as of August 31, 2020, primarily due to the (i) a decrease of RMB200 million in financial products as all such financial products as of August 31, 2019 matured and we decided to invest such amounts in financial products which are recorded as financial assets at fair value through profit or loss; (ii) a decrease of RMB24.8 million in student fees receivables from the third-party payment platforms as the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we received most tuition fees and boarding fees from students in September 2020 and (iii) a decrease in prepayments to a supplier of RMB8.1 million mainly due to the settlement of such amount by the supplier, which was provided by our College for logistics services, partially offset by (i) an increase in advances of RMB5.3 million in relation to fees for books; and (ii) an increase in [**REDACTED**] expenses in connection with the [**REDACTED**] of RMB1.3 million.

Our prepayments, other receivables and other assets decreased by RMB13.0 million, or 66.0%, from RMB19.7 million as of August 31, 2020 to RMB6.7 million as of December 31, 2020, primarily due to (i) a decrease of RMB8.3 million in equity-transfer-fund receivable in relation to the disposal of Tongcai Media which was fully settled in November 2020; and (ii) a decrease of RMB5.8 million in advance to third parties which included RMB0.5 million advanced to a supplier of decoration services in relation to decoration fees incurred for our on-campus incubation facilities and RMB5.3 million advanced to a supplier of textbooks in relation to purchases of books, both of which were fully settled in September 2020, partially offset by an increase of RMB1.5 million in prepaid [**REDACTED**] expenses from RMB3.3 million as of August 31, 2020 to RMB4.8 million as of December 31, 2020.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss primarily represent floating return financial products we purchased during the Track Record Period. During the Track Record Period, we purchased both principal protected and non-principal protected financial products issued by sizable and reputable banks in the PRC as a means of cash management in the form of short-term financial products. As of August 31, 2018, 2019 and 2020 and December 31, 2020, our financial products had maturity within three months and expected coupon rates ranging from 1.15% to 3.70% per annum, which are typically higher than the interest rate of fixed deposits and were generally described as having low risk in the product description manuals published by the issuing banks and which generally had higher yields than time deposits that we would otherwise make with banks in the PRC. The vast majority of our financial products were issued by creditworthy major commercial banks in the PRC. Our financial products were among the low-risk products issued by such banks, and generally had investment portfolios covering debentures, bank deposits, asset backed securities, money market fund, interbank deposit, bond funds, reverse purchases, bank acceptance investments and debt financing investments. Our financial assets at fair value through profit or loss increased significantly from nil as of August 31, 2018 to RMB30.1 million as of August 31, 2019, and to RMB311.7 million as of August 31, 2020 and further to RMB400.0 million as of December 31, 2020, mainly because we made additional financial investments by utilizing surplus cash on hand to purchase floating return financial products. We invested in financial products during the Track Record Period with a view to better using our spare cash.

Our Treasury and Investment Policy

It is our treasury management policy to utilize surplus cash reserves to invest in low-risk financial products and generate income without interfering with our business operations or capital expenditures. We will continue to invest in such financial products after [**REDACTED**]. The senior management of our Group possess the management expertise for the investments in financial products. Ms. Xu Yanjie, has been serving as the financial manager of Shanxi WFOE in July 2020 and our chief financial officer since October 2020 and has significant experience in finance and accounting. Prior joining our Company, Ms. Xu Yanjie served as the financial manager of a company principally engaged in retail, where she was responsible for its overall financial management. Ms. Xu Yanjie also obtained the qualification of senior accountant and the qualification of the Chinese Certified Tax Agent in June 2016 and May 2016, respectively. See "Directors and Senior Management — Senior Management" in this document for details. To control our risks, we typically invest in low-risk, short-term (maturity period not more than one year) and principal-protected financial products (save for stocks as the main portfolio of the financial products), or fixed income securities (other than stocks, securities investment funds, unsecured bonds and other securities and derivatives).

We have the following measures in place for our investments in financial assets such as financial products and equities:

- we only use our idle funds or spare cash to purchase financial products, and such investment shall not affect our operation activities and investment in relation to our main scope of business;

- the financial products we invest in shall be generally principal-protected and the expected interest rate per annum of which shall be typically higher than the interest rate of fixed deposits for the corresponding period;

- we generally only purchase financial instruments provided by sizable and reputable licensed commercial banks;

- the Board is responsible for the overall planning and evaluation of treasury policy. A written application containing detailed information of the types, risks and gains from the financial products must be submitted to both the chief financial officer of our Group and the principal of our College for review and approval before purchase. For single financial transaction for which both: (i) the principal accounts for less than 10% of our most recent audited net assets; and (ii) the cumulative balance of the investment of current year does not exceed 50% of the most recent audited total net assets of the Group, approval from the Board must also be obtained before purchase when (a) the term of the financial product exceeds 12 months; (b) the issuer of the financial product is a financial institution other than a commercial bank; or (c) the financial product is a non-principal protected floating return product. For investments that exceed the aforesaid threshold, approval must be obtained from the Board before purchase.

  During the Track Record Period, our significant investments in financial products complied with our treasury and investment policy. The basis for setting these thresholds taking into account, among others, (i) the financial products we purchase are low risk products issued by sizable and reputable licensed banks in the PRC; (ii) no losses were recognised from the financial products we purchased; and (iii) the senior management of our Group possess management expertise with respect to investments in financial products.

- our finance department is in charge of the review and risk assessment of financial products based on our financial condition, cash position, operating cash requirements, as well as interest rate change, and finalize the plan for investment in financial products for the chief executive officer's and the chief financial officer's approval. Our finance department is also responsible for execution and implementation of financial product investment;

- our audit department tracks the underlying investments of our financial products, and analyzes their performance and progress. Our audit department also has the right to monitor and review our investment portfolio, oversee the use of funds and the profit and loss in our financial products, and to engage professional agencies to verify and audit if they deem necessary; and

- in the event of significant fluctuations in interest rate, our finance department shall conduct analysis in a timely manner and provide the relevant information to the chief financial officer.

Cash and Cash Equivalents

Our cash and cash equivalents consist of cash on hand and deposits we had in bank accounts. As of August 31, 2018, 2019 and 2020 and December 31, 2020, our cash and cash equivalents amounted to RMB300.6 million, RMB211.8 million, RMB89.1 million and RMB211.4 million, respectively. As of August 31, 2018, we also had pledged time deposits of RMB10 million which represented the cash deposited at banks as pledge for banking facilities granted to one of our related parties, Tongcai Investment, ended on December 31, 2018. The time deposits had been withdrawn by our Group on January 9, 2019. As of August 31, 2019 and 2020 and December 31, 2020, our pledged time deposits amounted to nil, nil and nil, respectively. The following table sets forth the breakdown of our cash and cash equivalents as of the dates indicated:

	As of August 31,			As of December 31,
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Cash and bank balances	300,642	211,826	89,127	211,356
Time deposits	10,000	–	–	–
	310,642	211,826	89,127	211,356
Less: Pledged time deposits for banking facilities of a related party	10,000	–	–	–
Cash and cash equivalents	300,642	211,826	89,127	211,356

Our cash and cash equivalents as of August 31, 2020 decreased significantly as compared to the amount as of August 31, 2018 and 2019 because (i) the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we received most tuition fees and boarding fees from students in September 2020; and (ii) we increased our investment in financial products. Our cash and cash equivalents increased to RMB211.4 million as of December 31, 2020 primarily due to the tuition fees and boarding fees we received from our students in September 2020 prior to the beginning of the 2020/2021 school year.

Other Payables and Accruals

Other payables and accruals consist of (i) payables for purchases and construction of property, plant and equipment; (ii) miscellaneous fees received from students, primarily representing fees payable to third party vendors, which our College collected on behalf of those vendors in relation to (a) teaching material fees, property management fees, school uniform fees and physical examination fees, and (b) deposit received from the students for canteen services in our campuses; (iii) payables for salaries, social insurance and housing fund; (iv) subsidies payable to students; (v) payables for logistics services, which primarily represent the logistics services fees payable to an Independent Third Party; (vi) payables for [**REDACTED**] expenses; (vii) other tax payables, mainly representing value added tax and value added tax surcharge; and (viii) other payables. The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
Payables for purchase and construction of property, plant and equipment	28,791	35,198	32,731	14,218
Miscellaneous fees received from students	32,574	31,670	9,133	12
Payables for salaries, social insurance and housing fund	13,959	13,541	10,518	13,403
Subsidies payable to students	8,486	10,398	9,439	1,473
Payables for logistics services	5,594	12,148	13,033	5,931
Payables for [**REDACTED**] expenses	2,742	1,678	2,870	3,068
Other tax payables	2,670	3,139	4,069	4,320
Other payables[(1)]	9,457	11,906	13,254	15,037
	104,273	119,678	95,047	57,462

Note:

(1) Other payables primarily consists of administrative and teaching activities funds, art enrollment examination registration fees collected from and paid for students, withheld personal social insurance and housing provident fund contributions and security deposits held by our College.

Our other payables and accruals increased by RMB15.4 million, or 14.8% from RMB104.3 million as of August 31, 2018 to RMB119.7 million as of August 31, 2019, primarily reflecting (i) an increase of RMB6.4 million in payables for purchase and construction of property, plant and equipment, related to our Beige campus and increased maintenance and renovation of our Longcheng campus; and (ii) an increase of RMB6.6 million in payables for logistics services.

Our other payables and accruals decreased by RMB24.7 million, or 20.6%, from RMB119.7 million as of August 31, 2019 to RMB95.0 million as of August 31, 2020, primarily reflecting (i) a decrease of RMB22.5 million in miscellaneous fees received from students, primarily due to the fact that the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we received most tuition fees, boarding fees and other miscellaneous fees from students in September 2020; (ii) a decrease in payables for salaries, social insurance and housing fund of RMB3.0 million, primarily due to the earlier settlement of the thesis advisory fees to our teaching staff in July 2020; and (iii) a decrease of RMB2.5 million in payables for purchase and construction of property, plant and equipment, mainly due to our increased efforts to settle such payments within a shorter period of time after purchase or rendering of construction services, as partially offset by an increase of RMB1.2 million in payables for [**REDACTED**] expenses.

Our other payables and accruals decreased by RMB37.5 million, or 39.5%, from RMB95.0 million as of August 31, 2020 to RMB57.5 million as of December 31, 2020, primarily reflecting (i) a decrease of RMB18.5 million in payables for purchase and construction of property, plant and equipment due to settlement of payables to construction contractors; (ii) a decrease of RMB9.1 million in miscellaneous fees received from students as we settled such payments with Shanxi Tuohuang in September 2020; (iii) a decrease of RMB8.0 million in subsidies payable to students; and (iv) a decrease of RMB7.1 million in payables for logistics services as we settled such payments with Shanxi Tuohuang in September 2020.

Contract Liabilities

During the Track Record Period, our contract liabilities represented tuition fees and boarding fees collected from students of our College prior to the beginning of each school year, which we had not yet recognized as revenue. Tuition fees and boarding fees are recognized proportionately over the school year. Withdrawing students are entitled to refund of payments in relation to the proportionate services we have not yet rendered in accordance with our policies. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, RMB870,000, RMB639,000, RMB5.9 million and RMB248,000 were refunded, representing 0.3%, 0.2%, 2.2% and 0.2% of our total revenue for the same periods. The increase in the refunded amount for the year ended August 31, 2020 was primarily driven by our refund of boarding fees due to the COVID-19 pandemic. See "Business — Tuition and Boarding Fees — Student Withdrawals and Refund" in this document for further details. The following table sets forth our contract liabilities as of the dates indicated:

	As of August 31,			**As of December 31,**
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Tuition fees	200,335	185,230	2,433	164,445
Boarding fees	20,856	18,251	75	15,601
Total	221,191	203,481	2,508	180,046

Our contract liabilities decreased by RMB17.7 million, or 8.0%, from RMB221.2 million as of August 31, 2018 to RMB203.5 million as of August 31, 2019, primarily because the 2018/2019 school year started two weeks earlier than usual due to undergraduate teaching performance evaluation, as a result of which, a slightly larger than typical portion of tuition fees and boarding fees for the following school year had been collected as of August 31, 2018 and was recognized as contract liabilities as of the same date.

Our contract liabilities decreased by RMB201.0 million, or 98.8%, from RMB203.5 million as of August 31, 2019 to RMB2.5 million as of August 31, 2020 because the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we received most tuition fees and boarding fees, amounting to RMB198.8 million, from students for the 2020/2021 school year in September 2020.

Our contract liabilities increased by RMB177.5 million, or 7,100.0% from RMB2.5 million as of August 31, 2020 to RMB180.0 million as of December 31, 2020, primarily due to the fact that the 2020/2021 school year for new students started later than usual due to the COVID-19 pandemic and we received most tuition fees and boarding fees from students in September 2020. This amount was lower than the amount of contract liabilities as of August 31, 2018 and 2019 as we had recognized three months of revenue for the 2020/2021 school year and the amount of contract liabilities decreased accordingly.

We set out below a reconciliation of our Group's contract liabilities as of each financial year end to the revenue recognized for the periods indicated:

	Year ended August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
At the beginning of the year/period	48,436	221,191	203,481	2,508
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period	(48,054)	(220,519)	(197,798)	(1,221)
Boarding fees reclassified to other payables	–	–	(5,455)[(1)]	–
Increases due to cash received, net of the amounts recognized as revenue during the year/period	220,809	202,809	2,280	178,759
At the end of the year/period	221,191	203,481	2,508	180,046

Note:

(1) The amount mainly represents the boarding fees we collected and initially recorded in the balance of contract liabilities which subsequently was required to be refunded according to the Notice due to the COVID-19 outbreak and reclassified to other payables during the year ended August 31, 2020.

As of the Latest Practicable Date, RMB140.0 million, or 77.8%, of our total contract liabilities as of December 31, 2020 had been subsequently amortized and the relevant services had been rendered.

LIQUIDITY AND CAPITAL RESOURCES

Historically we have financed our capital expenditures and working capital requirements principally with cash generated from our operations. In the future, we believe that our liquidity requirements will be satisfied using a combination of cash flows generated from our operating activities and the net [**REDACTED**] from the [**REDACTED**] and other funds raised from the capital markets from time to time as needed. Any significant decrease in student enrollment, or our tuition and boarding fee rates could adversely impact our liquidity. As of August 31, 2018, 2019 and 2020 and December 31, 2020, we had cash and cash equivalents of RMB300.6 million, RMB211.8 million, RMB89.1 million and RMB211.4 million, respectively.

Cash Flow

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

	Year ended August 31,			Four Months ended December 31,	
	2018	2019	2020	2019	2020
	(RMB in thousands)				
Net cash flows from/(used in) operating activities	371,767	141,640	(25,439)	45,708	226,180
Cash generated from operations before changes in working capital	175,659	168,809	171,350	67,962	60,984
Changes in working capital	195,882	(27,531)	(197,136)	(22,467)	(164,935)
Interest received	226	362	347	213	261
Net cash flows used in investing activities	(115,140)	(232,640)	(105,576)	(115,543)	(103,951)
Net cash flows from financing activities	–	2,184	8,316	500	–
Net increase/(decrease) in cash and cash equivalents	256,627	(88,816)	(122,699)	(69,335)	122,229
Cash and cash equivalents at beginning of year/period	44,015	300,642	211,826	211,826	89,127
Cash and cash equivalents at end of year/period	300,642	211,826	89,127	142,491	211,356
Cash and bank balances	300,642	211,826	89,127	142,491	211,356
Time deposits	10,000	–	–	–	–
Less: pledged time deposits for banking facilities of a related party	10,000	–	–	–	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	300,642	211,826	89,127	142,491	211,356

Cash Flows From/Used in Operating Activities

Our cash inflow from operating activities primarily was from tuition and boarding fees, all of which are typically paid in advance before the respective services are rendered. Tuition and boarding fees are initially recorded under contract liabilities. We recognize tuition fees and boarding fees received as revenue proportionately over a school year excluding a two-month summer break in July and August and a one-month winter break in February.

For the four months ended December 31, 2020, our net cash flow generated from operating activities was RMB226.2 million, primarily reflecting (i) profit before tax of RMB50.9 million; (ii) positive adjustments on depreciation of property, plant and equipment of RMB12.0 million; and (iii) an increase of RMB177.5 million in contract liabilities reflecting receipt of most tuition fees and boarding fees from students in September 2020, the majority of which had not been recognized as revenue and was still recognized as contract liabilities as of December 31, 2020.

For the year ended August 31, 2020, our net cash flow used in operating activities was RMB25.4 million, primarily reflecting (i) profit before tax of RMB142.7 million and (ii) positive adjustment on depreciation of property, plant and equipment of RMB36.6 million, offset by a decrease in contract liabilities of RMB201.0 million and a decrease in other payables and accruals of RMB14.1 million, primarily due to the fact that the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we received most tuition fees, boarding fees and miscellaneous fees from students for the 2020/2021 school year in September 2020. We expect receiving our tuition fees, boarding fees and miscellaneous fees from students in August in advance of the commencement of each school year as usual will result in our cash flow from operating activities improving in future years. We will also closely monitor the cash flow used in purchase of items of property, plant and equipment and financial investment and their effect on our liquidity position.

For the year ended August 31, 2019, our net cash flow generated from operating activities was RMB141.6 million, primarily reflecting (i) profit before tax of RMB137.6 million; and (ii) positive adjustments on depreciation of property, plant and equipment of RMB36.0 million, partially offset by (i) a decrease in contract liabilities of RMB17.7 million because the 2018/2019 school year started two weeks earlier than usual due to undergraduate teaching performance evaluation, as a result of which, a slightly larger than typical portion of tuition fees and boarding fees for the following school year had been collected as of August 31, 2018 and was recognized as contract liabilities as of the same date; and (ii) an increase in prepayments, other receivables and other assets of RMB21.8 million due to an increase of RMB24.6 million in student fees receivables from the third-party payment platforms primarily due to tuition, boarding and miscellaneous fees paid by students through the third-party payment platforms on August 31, 2018 and received by our Group in early 2019.

For the year ended August 31, 2018, our net cash flow generated from operating activities was RMB371.8 million, primarily reflecting (i) profit before tax of RMB144.8 million; (ii) positive adjustments on depreciation of property, plant and equipment of RMB30.1 million; and (iii) an increase in contract liabilities of RMB172.8 million mainly because the 2018/2019 school year commenced earlier than usual and as a result, we collected a larger portion of the tuition fees and boarding fees from the students prior to August 31, 2018, as partially offset by a decrease in amounts due to related parties of RMB4.8 million.

Cash Flows Used in Investing Activities

Investing activities primarily consist of purchases of items of property, plant and equipment, purchases of financial products.

For the four months ended December 31, 2020, our net cash used in investing activities amounted to RMB104.0 million, primarily reflecting (i) purchases of financial assets at fair value through profit or loss of RMB910.0 million and (ii) purchases of items of property, plant and equipment of RMB23.9 million primarily comprised of the settlement of payments to construction contractors, partially offset by proceeds from sale of financial assets at fair value through profit or loss of RMB821.7 million.

For the year ended August 31, 2020, our net cash used in investing activities amounted to RMB105.6 million, primarily reflecting (i) purchases of items of property, plant and equipment of RMB34.3 million which primarily comprised of the settlement of payments to construction contractors; and (ii) purchases of financial assets at fair value through profit or loss of RMB1,540.0 million, partially offset by (i) proceeds from sale of financial products of RMB200.0 million; and (ii) proceeds from sale of financial assets at fair value through profit or loss of RMB1,260.0 million.

For the year ended August 31, 2019, our net cash used in investing activities was RMB232.6 million, primarily reflecting (i) purchases of items of property, plant and equipment of RMB75.7 million; (ii) purchases of financial products of RMB1,270.0 million; and (iii) purchases of financial assets at fair value through profit or loss of RMB170.0 million, partially offset by (i) proceeds from sale of financial products of RMB1,120.0 million; and (ii) proceeds from sale of financial assets at fair value through profit or loss of RMB140.0 million.

For the year ended August 31, 2018, our net cash flow used in investing activities was RMB115.1 million, primarily reflecting (i) purchases of items of property, plant and equipment of RMB52.1 million; (ii) purchases of financial products of RMB685.0 million; (iii) purchase of time deposits of RMB70.0 million; and (iv) purchases of financial assets at fair value through profit or loss of RMB36.8 million, partially offset by (i) proceeds from sale of financial products of RMB635.0 million; (ii) withdrawal of time deposits of RMB60.0 million; and (iii) proceeds from sale of financial assets at fair value through profit or loss of RMB36.8 million.

Cash Flows from Financing Activities

For the four months ended December 31, 2020, our net cash flow from financial activities was nil.

For the year ended August 31, 2020, our net cash inflow from financing activities was RMB8.3 million, reflecting contribution from the then equity holders of subsidiaries of RMB10.5 million in relation to capital contribution of Shanxi Tongcai from its then equity holder, partially offset by the repayment to Directors of RMB2.2 million.

For the year ended August 31, 2019, our net cash inflow from financing activities was RMB2.2 million, primarily reflecting advances from two Directors.

For the year ended August 31, 2018, our net cash flow from financing activities was nil.

Working Capital

As of August 31, 2018, 2019 and 2020 and December 31, 2020, we had cash and cash equivalents of RMB300.6 million, RMB211.8 million, RMB89.1 million and RMB211.4 million, respectively.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the cost of constructing, maintaining and upgrading our school campuses and, purchasing additional educational facilities, and equipment and hiring additional teachers and other staff. We intend to continue to finance our working capital with cash generated from our operations and the net [**REDACTED**] from the [**REDACTED**] and other funds raised from the capital markets as needed from time to time.

Our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this document, after taking into account the financial resources currently available to us, including the estimated net [**REDACTED**] from the [**REDACTED**] and expected cash flow generated from our operations.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the construction of our Beige campus, purchase of additional educational equipment, and other intangible assets amounting to RMB54.9 million, RMB76.9 million, RMB36.4 million and RMB24.5 million, respectively, for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020.

The following table sets forth a summary of our capital expenditures for the periods indicated.

	Year ended August 31,			Four Months ended December 31,
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Property, plant and equipment	52,090	75,651	34,288	23,914
Other intangible assets	2,841	1,242	2,071	577
Total	54,931	76,893	36,359	24,491

We expect to incur capital expenditures at a relatively high level for the next years primarily for the construction of Phase IV of our Beige campus, which we expect to fund primarily through cash generated from operations and the net [**REDACTED**] from the [**REDACTED**]. Our current capital expenditures plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily related to the acquisition of buildings and teaching facilities. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of August 31,			As of December 31,
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Contracted, but not provided for:				
Buildings	66,577	27,531	14,669	15,776
Teaching facilities	8,969	9,707	1,491	13,211
Total	75,546	37,238	16,160	28,987

INDEBTEDNESS

Statement of Indebtedness

During the Track Record Period, we did not obtain any loans or borrowings. As of April 30, 2021, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees, lease liabilities or other material contingent liabilities.

As of the Latest Practicable Date, we did not have any unutilized banking facilities.

Our Directors confirmed that there has not been any material change in our indebtedness and contingent liabilities since April 30, 2021.

CONTINGENT LIABILITIES

The table below sets forth the contingent liabilities of our Group as of the dates indicated:

	As of August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
Pledged time deposits for banking facilities of a related party	10,000	–	–	–

During the Track Record Period, our Group provided time deposits amounting to RMB10 million pledged for banking facilities granted to Tongcai Investment ended on December 31, 2018. The time deposits were withdrawn by our Group on January 7, 2019. We did not incur any losses during the Track Record Period in respect of the aforementioned time deposits.

As of December 31, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. The Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since December 31, 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

Outstanding Balances with Related Parties

During the Track Record Period, we entered into transactions with our related parties from time to time. The following table sets forth our outstanding balances with related parties as of the dates indicated:

	As of August 31,			As of December 31,
	2018	2019	2020	2020
	(RMB in thousands)			
Amount due from Directors				
Mr. Niu Sanping	29,069	–	–	–
Mr. Niu Jian	100	–	–	–
	29,169	–	–	–
Amount due from a related party				
Tongcai Investment	–	–	–	838
Shanxi Hanghangxing Human Resources Services Co., Ltd.	316	–	–	–
	316	–	–	838
Amount due to Directors				
Mr. Niu Sanping	–	184	–	–
Mr. Niu Jian	–	2,000	–	–
	–	2,184	–	–
Amount due to related parties				
Tongcai Investment	675	3,642	5,496	–
Shanxi Tongcai Training School	443	198	–	–
Niujian Limited	–	–	3	3
Niusanping Limited	–	–	2	5
	1,118	3,840	5,501	8

These balances were unsecured, interest-free and repayable on demand. Please refer to note 27 to the Accountants' Report in Appendix I to this document for details of these and other related party transactions. As of the Latest Practicable Date, the non-trade related amounts due to related parties as of December 31, 2020 had been settled.

Our Directors believe that each of the related party transactions set out in note 27 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

[**REDACTED**]

We expect to incur a total of RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) of [**REDACTED**], including [**REDACTED**] commissions for the [**REDACTED**], representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**], and assuming that the [**REDACTED**] is not exercised) of which RMB[**REDACTED**] million, RMB[**REDACTED**] million, RMB[**REDACTED**] million and RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million, HK$[**REDACTED**] million, HK$[**REDACTED**] million and HK$[**REDACTED**] million, respectively) have been charged to our consolidated statement of profit or loss and other comprehensive income for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, respectively, an additional RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending August 31, 2021 and RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is directly attributable to the issue of the Shares to the [**REDACTED**] and will be capitalized. [**REDACTED**] represent professional fees and other fees incurred in connection with the [**REDACTED**], including [**REDACTED**] for the [**REDACTED**]. The [**REDACTED**] above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We expect these [**REDACTED**] to have an impact on our results of operations for the year ending August 31, 2021.

FINANCIAL RATIOS

	As of/for the year ended August 31,			As of/ for the four months ended December 31,
	2018	2019	2020	2020
Return on assets(1)	13.1%	11.0%	12.2%	11.2%
Return on equity(2)	18.6%	15.0%	13.3%	13.6%
Current ratio(3)	126.9%	148.6%	408.1%	260.7%

Notes:

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

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

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

Analysis of Key Financial Ratios

Return on Assets

Our return on assets decreased from 13.1% for the year ended August 31, 2018 to 11.0% for the year ended August 31, 2019, mainly due to a slight decrease in net profit but an increase in total assets as a result of (i) an increase in properties, plant and equipment, and (ii) an increase in prepayment, other receivables and other assets mainly attributable to an increase in financial products. Our return on assets increased to 12.2% for the year ended August 31, 2020, mainly due to a slight increase in net profit but decrease in total assets mainly attributable to a decrease in prepayments, other receivables and other assets. Our return on assets decreased to 11.2% as of December 31, 2020, on an annualized basis mainly due to an increase in our total assets as a result of increases in financial assets at fair value through profit or loss and cash and cash equivalents.

Return on Equity

Our return on equity was 18.6%, 15.0% and 13.3% for the years ended August 31, 2018, 2019 and 2020, respectively. Such decreases were primarily due to our profit for the year increased at a slower rate than our total equity during the Track Record Period. Our return on equity increased to 13.6% as of December 31, 2020 on an annualized basis, mainly due to our profit for the year increased at a higher rate than our total equity.

Current Ratio

Our current ratio increased from 126.9% as of August 31, 2018 to 148.6% as of August 31, 2019, primarily due to an increase of our current assets as a result of an increase in prepayments, other receivables and other assets mainly attributable to an increase in financial products, partially offset by a decrease in cash and cash equivalents. Our current ratio further increased to 408.1% as of August 31, 2020, primarily due to a significant decrease in current liabilities as the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we received most tuition fees and boarding fees from students enrolled in the 2020/2021 school year in September 2020. Our current ratio decreased to 260.7% as of December 31, 2020, mainly due to the increase in current liabilities mainly attributable to an increase in contract liabilities reflecting the receipt of tuition and boarding fees in September 2021, partially offset by increases in financial assets at fair value through profit or loss and cash and cash equivalents.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2020.

DIVIDENDS

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our College, which are primarily incorporated in China. Our College must comply with its constitutional documents and the laws and regulations of China in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC foreign investment enterprises, our Company's subsidiaries and our College must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include statutory surplus reserve of limited liability companies and development fund of schools. Subject to certain cumulative limits, the statutory surplus reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the reserve reaches 50% of the relevant PRC entity's registered capital.

PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in China.

In principle, we currently expect to retain our Group's earnings for use in expanding our Group's operation to the extent deem necessary, and do not plan for that the members of our Group established in the PRC to distribute such earnings in the foreseeable future. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act of the Cayman Islands. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

During the Track Record Period, we did not declare or distribute any dividends.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date on which the latest consolidated financial information of our Group was prepared) and there is no event since December 31, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks, including credit risk and liquidity risk, as set out below. We manage and monitor policies to mitigate each of these risks to ensure appropriate measures are implemented in a timely and effective manner. For further details, including the relevant sensitivity analysis, see note 31 to the Accountants' Report set out in Appendix I to this document.

Credit Risk

We trades only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

Maximum Exposure and Year/Period-end Staging

The tables below shows the credit quality and the maximum exposure to credit risk based on our Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as of August 31, 2018, 2019 and 2020 and December 31, 2020. The amounts presented are gross carrying amounts for financial assets:

	As of December 31, 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB in thousands)				
Trade receivables[1]	–	–	–	240	240
Financial assets included in prepayments, other receivables and other assets – Normal[2]	1,902	–	–	–	1,902
Amounts due from related parties	838	–	–	–	838
Cash and cash equivalents – Not yet past due	211,356	–	–	–	211,356
	214,096	–	–	240	214,336

	As of August 31, 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB in thousands)				
Trade receivables[1]	–	–	–	94	94
Financial assets included in prepayments, other receivables and other assets – Normal[2]	16,389	–	–	–	16,389
Cash and cash equivalents – Not yet past due	89,127	–	–	–	89,127
	105,516	–	–	94	105,610

	As of August 31, 2019				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB in thousands)				
Trade receivables[1]	–	–	–	115	115
Financial assets included in prepayments, other receivables and other assets – Normal[2]	237,064	–	–	–	237,064
Cash and cash equivalents – Not yet past due	211,826	–	–	–	211,826
	448,890	–	–	115	449,005

	As of August 31, 2018				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB in thousands)				
Trade receivables[1]	–	–	–	96	96
Financial assets included in prepayments, other receivables and other assets – Normal[2]	65,231	–	–	–	65,231
Amounts due from directors	29,169	–	–	–	29,169
Amount due from a related party	316	–	–	–	316
Time deposits – Not yet past due	10,000	–	–	–	10,000
Cash and cash equivalents – Not yet past due	300,642	–	–	–	300,642
	405,358	–	–	96	405,454

Note:

(1) Our Group's trade receivables are due from a number of individual students. Credit quality of each student is assessed and outstanding receivables are regularly monitored. For trade receivables to which our Group applies the simplified approach for impairment, information based on the expected credit losses is disclosed in note 16 to the Accountants' Report in Appendix I to this document.

(2) The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity Risk

Our Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation. The maturity profile of our Group's financial liabilities as of the dates indicated, based on the contractual undiscounted payments, is as follows:

As of December 31, 2020	**On demand**	**Total**
	(RMB in thousands)	
Financial liabilities included in other payables and accruals	35,644	35,644
Due to related parties	8	8
	35,652	35,652

As of August 31, 2020	**On demand**	**Total**
	(RMB in thousands)	
Financial liabilities included in other payables and accruals	76,398	76,398
Due to related parties	5,501	5,501
	81,899	81,899

As of August 31, 2019	**On demand**	**Total**
	(RMB in thousands)	
Financial liabilities included in other payables and accruals	99,953	99,953
Due to directors	2,184	2,184
Due to related parties	3,840	3,840
	105,977	105,977

As of August 31, 2018	**On demand**	**Total**
	(RMB in thousands)	
Financial liabilities included in other payables and accruals	85,342	85,342
Due to related parties	1,118	1,118
	86,460	86,460

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following table showing our unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the [**REDACTED**] on our consolidated net tangible assets as of December 31, 2020 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [**REDACTED**] been completed as of December 31, 2020 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 2020 as set out in the Accountants' Report in Appendix I to this document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this document.

	Consolidated net tangible assets attributable to owners of our Company as of December 31, 2020[1]	Estimated [REDACTED] from the [REDACTED][2]	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share[3]	
		(RMB in thousands)		*RMB*	*HK$[4]*
Based on the [**REDACTED**] of HK$[**REDACTED**] per Share	1,115,675	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on the [**REDACTED**] of HK$[**REDACTED**] per Share	1,115,675	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

* No adjustment has been made to reflect [**REDACTED**] results or other transaction subsequent to December 31, 2020.

(1) The consolidated net tangible assets attributable to owners of our Company as of December 31, 2020 is extracted from the Accountants' Report, which is based on the consolidated equity attributable to owners of our Company as of December 31, 2020 of RMB1,120.1 million less intangible assets as of December 31, 2020 of RMB4.4 million.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, after deduction of the [**REDACTED**] and other related expenses payable by our Company (excluding approximately RMB[**REDACTED**] million which have been paid or become payable up to December 31, 2020) and do not take into account of any Shares which may be issued upon the exercise of the [**REDACTED**]. The estimated [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8315.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and does not take into account of any Shares which may be issued upon the exercise of the [**REDACTED**].

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8315.

PROPERTY INTERESTS AND PROPERTY VALUATION

Vincorn Consulting and Appraisal Limited, an independent valuer, valued our property interest as of March 31, 2021. The text of the valuation report, valuation summary and valuation certificates are set out in Appendix III to this document.

The table below sets forth the reconciliation of aggregate amounts of our property interests from our consolidated financial statements as of December 31, 2020 to the valuation of selective property interests as of March 31, 2021.

	Amount
	RMB'000
Buildings and construction in progress included in property, plant and equipment	580,371
Rights-of-use assets	89,030
Less: Lease payment located on allocated land without commercial value[(1)]	(58,050)
Less: Lease payment for leased land in the process of applying land use rights certificates[(2)]	(30,980)
Less: Buildings without commercial value due to certificates has not been issued[(3)]	(416,334)
Less: Ancillary structures without commercial value	(68,166)
Less: Depreciation and amortization for the three months ended March 31, 2021	(773)
Valuation surplus	234,902
Valuation as of March 31, 2021 as set out in Appendix III to this document	330,000

Notes:

(1) The market value of the allocated land is nil in the property valuation report as set out in Appendix III to this document. For details of the allocated land, see the property valuation report as set out in Appendix III to this document. The net book value of the allocated land without commercial value was included in the amount of right-of-use assets as set forth in the table above.

(2) The market value of the leased land in the process of applying land use rights certificates is nil in the property valuation report as set out in Appendix III to this document. For details of the allocated land, see the property valuation report as set out in Appendix III to this document. The net book value of the allocated land without commercial value was included in the amount of right-of-use assets as set forth in the table above.

(3) The market value of buildings without commercial value due to lack of title certificates was nil in the property valuation report as set out in Appendix III to this document. For details of such buildings, see the property valuation report as set out in Appendix III to this document.